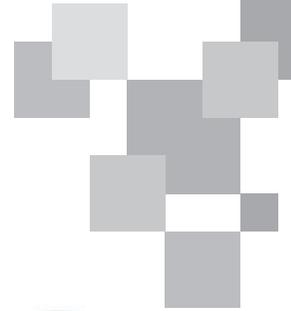


AHB HOLDINGS BERHAD
ANNUAL REPORT 2007



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CORPORATE INFORMATION

AHB HOLDINGS BERHAD

BOARD OF DIRECTORS

Mirzan Mahathir

Chairman

Non-Independent Non-Executive Director

Yong Yoke Keong

Managing Director / Chief Executive Officer

Yong Chew Keat

Non-Independent Non-Executive Director

Lim Chee Hoong

Independent Non-Executive Director

(Appointed w.e.f. 28 May 2007)

Danny Ng Siew L'Leong

Independent Non-Executive Director

(Appointed w.e.f. 28 May 2007)

Hee Teck Ming

Independent Non-Executive Director

(Resigned w.e.f. 25 April 2007)

Dato' Ong Kim Hoay

Independent Non-Executive Director

(Resigned w.e.f. 8 May 2007)

AUDIT COMMITTEE

Lim Chee Hoong

Chairman

Independent Non-Executive Director

(Appointed w.e.f. 28 May 2007)

Yong Yoke Keong

Managing Director / Chief Executive Officer

(Appointed w.e.f. 28 May 2007)

Danny Ng Siew L'Leong

Independent Non-Executive Director

(Appointed w.e.f. 28 May 2007)

Yong Chew Keat

Non-Independent Non-Executive Director

(Resigned w.e.f. 28 May 2007)

Dato' Ong Kim Hoay

Chairman

Independent Non-Executive Director

(Resigned w.e.f. 8 May 2007)

Hee Teck Ming

Independent Non-Executive Director

(Resigned w.e.f. 25 April 2007)

COMPANY SECRETARY

Yeoh Chong Keat

(MIA 2736)

PRINCIPAL BANKERS

Bumiputra-Commerce Bank Berhad

Alliance Bank Malaysia Berhad

HSBC Bank Malaysia Berhad

REGISTRARS

PFA Registration Services Sdn Bhd

Level 13, Uptown 1

1, Jalan SS21/58

Damansara Uptown

47400 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-7718 6000

Fax: 03-7722 2311

AUDITORS

Deloitte KassimChan

Level 19, Uptown 1

1, Jalan SS21/58

Damansara Uptown

47400 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-7726 1833 / 03-7723 6500

Fax: 03-7726 3986 / 03-7726 8986

REGISTERED OFFICE

Suite 11.1A, Level 11

Menara Weld

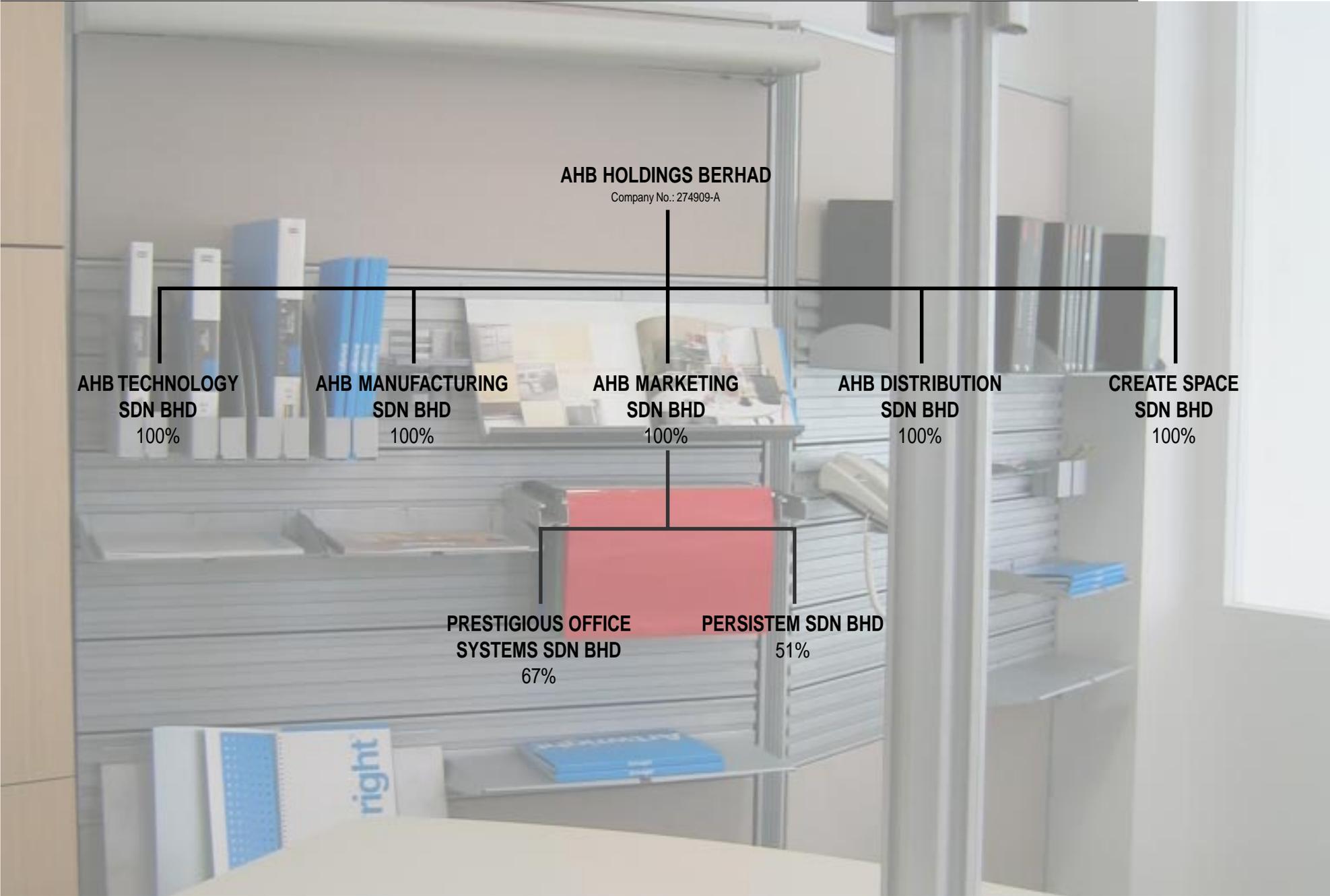
76, Jalan Raja Chulan

50200 Kuala Lumpur

Tel: 03-2031 1988

Fax: 03-2031 9788

GROUP CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

AHB HOLDINGS BERHAD

On behalf of the Board of Directors, I am pleased to present to you the fourteenth Annual Report and Financial Statements of AHB Holdings Berhad ("AHB") for the financial year ended 30 June 2007.

The preceding financial year can be considered a transformation year for AHB. We decided to outsource much of our manufacturing while investing in information technology and human resource development. This strategy is starting to bear fruit and we are optimistic that it will enable us to achieve our objectives.

As part of the strategy, we have configured our Seri Kembangan factory as a 'high-value-add' product finishing line that includes product quality assurance, value-add assembly and packaging. This will ensure timely customer order fulfilment and consistently high quality control. These critical processes, while not burdening the Group with high overheads, contribute high value to our business ensures excellent customers' experience and can generate repeat business.

And thus, I refer to this year under review as a year in which we are now stream-lined to better take advantage of the stable market trends in East Asia and the Middle East. Our multi-sourcing strategy has enabled us to establish reliable supply chains leading to improved performance in flexibility, lead time responses and quality standards.

During the fourth quarter, we have soft-launched two major ranges of systems products and we are cautiously optimistic that these new products will realise their potential to improve our profits.

While the business model strategies are effective, the Group has experienced some softness in office furniture demand towards the fourth quarter of the financial year, possibly arising from confidence in business environment being shaken over events in the American financial market. However, unlike previous years, the Group has taken steps to reduce fixed costs while making many cost items variable through the outsourcing strategy.

Upon closer scrutiny of the various accounts in our books, for prudence, we have provided additional provisions for doubtful debts of RM2.2 million above our results announced in the fourth quarter report, thus leading to a larger than expected loss for the year under review.

The turnover for the Group for the financial year ended 30 June 2006 increased to RM45.0 million from RM39.5 million in the preceding financial year 2006. Our operating expenses and overhead cost are reasonably under control in-line with the new business model and the Group recorded a healthy profit before various accounting adjustments and allowances. These has led to a net loss of RM7.2 million compared to a net profit of RM0.5 million in the preceding financial year 2006.

As always in the past, we in AHB believe that we must do business with integrity wherever we are. As such, we will continue our efforts to inculcate a strong culture of corporate governance within AHB.

On behalf of the Board, I would like to extend my unreserved appreciation to the management and staff of AHB group of companies, for their continuing hard work, commitment and dedication. I take this opportunity to thank all our shareholders, bankers, advisors, business associates, customers and relevant government authorities for your invaluable support and confidence over the years and hope that you will continue to be there for us as we move forward into the future.

Let me also place on record my gratitude and appreciation to my colleagues on the Board for their wise counsel.

Mirzan Mahathir
Chairman

Mirzan Mahathir, Malaysian, aged 49, is the Non-Independent Non-Executive Chairman of AHB Holdings Berhad (“AHB” or “the Company”) Group. He was appointed to the Board of AHB on 13 March 1996. He holds a Masters in Business Administration from the Wharton School, University of Pennsylvania, Philadelphia, United States of America and a Bachelor of Science (Honours) Degree in Computer Science from Brighton Polytechnic, England. After obtaining his Masters in Business Administration in 1987, he worked for two years with Salomon Brothers Inc., an investment bank based in New York, USA, as an Investment Banking Associate. From April 1989 to February 1990, he was seconded to the Asia Pacific Investment Banking Department of Salomon Brothers Hong Kong Ltd., where he provided intensive investment banking advice on mergers and acquisitions, privatizations and capital raising. Since his return to Malaysia in March 1990, he was appointed as a director of several public listed companies on Bursa Malaysia Securities Berhad. Currently he is the Chairman & CEO of Crescent Capital Sdn Bhd, a Malaysian investment holding and independent strategic and financial advisory firm which he founded. He is also on the board of directors of Worldwide Holdings Berhad.

He is the Chairman of Malaysian Youth Orchestra Foundation and President of the Asian Strategy and Leadership Institute and a member of the UN/ESCAP Business Advisory Council, the American Bureau of Shipping Southeast Asia Committee and the Wharton Business School Asian Executive Board.

En. Mirzan Mahathir attended four (4) of the five (5) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2007.

Yong Yoke Keong, Malaysian, aged 48, was appointed as Director of AHB on 3 May 1994 and is currently the Managing Director/Chief Executive Officer of the Group. He was appointed as a member of the Audit Committee on 28 May 2007. He graduated from McGill University, Canada with a Bachelor of Engineering Degree majoring in Mechanical Engineering in 1982. He also obtained his Masters in Business Administration in 1985 from the same university with multiple concentrations in Finance, Management Information Systems and International Business. Upon graduation, he took charge of the administration and product development of the Group. By 1988, he was in charge of the Group's overall operations. Through his leadership and innovative management style, he has been the catalyst for numerous technological advancements experienced by the Group. He previously was a council member of the Federation of Malaysian Manufacturers (FMM) and he was also the founding Joint Chairman of Institut Perekabentuk Dalam Malaysia Industry Partners (IPDM-ip).

Mr. Yong Yoke Keong is the brother of Mr. Yong Chew Keat, a Non-Independent Non-Executive Director of the Group. Mr. Yong Yoke Keong attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2007.

Yong Chew Keat, Malaysian, aged 58, was appointed as Director of AHB on 3 May 1994 and is currently the Non-Independent Non-Executive Director. He is also the member of the Nomination and Remuneration Committees but he was resigned as a member of the Audit Committee on 28 May 2007. He is one of the founder members of the AHB business. Over the past 30 years, he had jointly managed the companies in the AHB Group with his late father until 1988. He has extensive experience in the furniture industry and his entrepreneurial skills have helped steer the Group into one of the leading office furniture companies in Malaysia.

Mr. Yong Chew Keat is the brother of Mr. Yong Yoke Keong, the Managing Director/Chief Executive Officer of the Group. Mr. Yong Chew Keat attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 30 June 2007.

Lim Chee Hoong, Malaysian, aged 47, was appointed as an Independent Non-Executive Director of the Company and the Chairman of the Audit Committee on 28 May 2007. He is also the member of the Nomination and Remuneration Committees. He is a member of the Malaysian Institute of Certified Public Accountants as well as the Malaysian Institute of Accountants. Presently, Mr. Lim is a practising accountant in Malaysia under Lim Tang & Partners. He is also a partner in LLT & Partners. Prior to that, Mr. Lim was attached to various firms and has more than 19 years experience in the field of accounting. He currently sits on the Board of Furniweb Industrial Products Berhad.

Mr. Lim Chee Hoong attended one (1) Board of Directors' Meeting of the Company held following his appointment during the financial year ended 30 June 2007.

Danny Ng Siew L'Leong, Malaysian, aged 49, was appointed as an Independent Non-Executive Director of the Company and the member of the Audit Committee on 28 May 2007. He is also the Chairman of the Nomination and Remuneration Committees. He graduated with a Bachelor degree in Agribusiness (Honours) with a major in Financial Management from University Pertanian Malaysia in 1982. He was with United Malayan Banking Corporation Berhad as a Credit Analyst for the central region from 1982 to 1986, as Accounts Manager of the Corporate Banking Department from 1986 to 1990, as Unit Head of the Northern Region of the Corporate Banking Department from 1990 to 1991, and as Head of Credit and Marketing for its Corporate Banking Department from 1991 to 1994. He currently sits on the Board of Loh & Loh Corporation Berhad, New Hoong Fatt Holdings Berhad and SMS Corporation Berhad.

Mr. Danny Ng Siew L'Leong attended one (1) Board of Directors' Meeting of the Company held following his appointment during the financial year ended 30 June 2007.

AUDIT COMMITTEE REPORT

AHB HOLDINGS BERHAD

COMPOSITION

| | |
|------------------------|---|
| Dato' Ong Kim Hoay | - Chairman, Independent Non-Executive Director (Resigned w.e.f. 8 May 2007) |
| Hee Teck Ming | - Member, Independent Non-Executive Director (Resigned w.e.f. 25 April 2007) |
| Yong Chew Keat | - Member, Non-Independent Non-Executive Director (Resigned w.e.f. 28 May 2007) |
| Lim Chee Hoong | - Chairman, Independent Non-Executive Director (Appointed w.e.f. 28 May 2007) |
| Yong Yoke Keong | - Member, Managing Director/Chief Executive Officer (Appointed w.e.f. 28 May 2007) |
| Danny Ng Siew L' Leong | - Member, Independent Non-Executive Director (Appointed w.e.f. 28 May 2007) |

TERMS OF REFERENCE

Constitution

The Board has established a Committee of the Board to be known as the Audit Committee.

Membership

- The Committee shall be appointed by the Board of Directors from amongst the directors of the Company and shall consist of not less than three (3) members, a majority of whom shall be independent non-executive directors. A quorum requires the majority of members present to be independent non-executive directors.
- At least one member of the Committee
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:-
 - (i) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (ii) he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (c) must fulfill such other requirements as prescribed by the Exchange from time to time.
- No alternate director is appointed as a member of the Committee.
- The members of the Committee shall elect a Chairman from among their members who shall be an independent non-executive director.

- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Review of the Audit Committee

The Board of Directors shall review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Authority

- The Committee is authorised to investigate any activity within its terms of reference and to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.
- The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders to attend the meetings where necessary.
- The Committee shall have unrestricted access to both the internal and external auditors and is able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

Functions and Duties

The functions of the Committee shall be amongst others:-

- (1) To review the following and report the same to the Board of Directors:-
 - (a) with the external auditor, the audit plan and the nature and scope of the audit before commencement;
 - (b) with the external auditor, the evaluation of the system of internal controls;
 - (c) with the external auditor, the audit reports, management letters and management response;
 - (d) the assistance given by the Company's employees to the external auditor;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing on:-
 - (i) changes in or implementation of major accounting policy changes;

- (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
 - (h) any related party transactions and conflict of interest situation that may arise within the Company or Group.
 - (i) any letter of resignation from the external auditors; and
 - (j) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.
- (2) To recommend the nomination of a person or persons as external auditors.
- (3) To verify the allocation of options pursuant to a share scheme for employees at the end of each financial year and to prepare a statement verifying such allocation in the annual reports.

Meetings

- Meetings shall be held not less than four times a year.
- The Internal Auditor, other Board members and employees may also attend the Audit Committee meeting upon the invitation of the Committee.
- The Company Secretary or his nominee shall be the Secretary of the Committee.

Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Audit Committee Meetings and Attendance

During the financial year ended 30 June 2007, five (5) Audit Committee Meetings were held and the details of attendance of each members are as follows:-

| Audit Committee Members | Dates of Audit Committee Meetings held during the financial year | | | | | Total meetings attended | Percentage of attendance (%) |
|---|--|----------|----------|----------|----------|-------------------------|------------------------------|
| | 29/08/06 | 16/10/06 | 24/11/06 | 28/02/07 | 30/05/07 | | |
| Dato' Ong Kim Hoay (Resigned w.e.f. 8 May 2007) | V | V | V | V | N/A | 4/4 | 100 |
| Hee Teck Ming (Resigned w.e.f. 25 April 2007) | V | V | V | V | N/A | 4/4 | 100 |
| Yong Chew Keat (Resigned w.e.f. 28 May 2007) | V | V | V | V | N/A | 4/4 | 100 |
| Lim Chee Hoong (Appointed w.e.f. 28 May 2007) | N/A | N/A | N/A | N/A | V | 1/1 | 100 |
| Yong Yoke Keong (Appointed w.e.f. 28 May 2007) | N/A | N/A | N/A | N/A | V | 1/1 | 100 |
| Danny Ng Siew L'Leong (Appointed w.e.f. 28 May 2007) | N/A | N/A | N/A | N/A | V | 1/1 | 100 |

Activities of the Audit Committee

During the financial year ended 30 June 2007, the Audit Committee, in discharging its functions and duties, had carried out the following activities:-

- i. Reviewed the quarterly unaudited financial results prior to the Board of Directors' approval for submission to Bursa Malaysia Securities Berhad;
- ii. Reviewed the annual audited financial statements of the Group with the external auditors prior to the Board of Directors' approval for submission to Bursa Malaysia Securities Berhad;
- iii. Reviewed the annual audit plan to ensure the adequacy of the scope and resources of the internal audit function;
- iv. Reviewed the internal audit reports, audit recommendations made and management responses to these recommendations;
- v. Discussed the audit findings and reviewed the audit report with the external auditors; and

Internal Audit Function

It is the intention of the Internal Audit Department to provide the Audit Committee of the Company, with assessment of the efficiency and adequacy of the internal control systems of the Group. This is done by reviewing and reporting on any material deviations and non-compliances of policies and control procedures implemented by management and the Board. The Internal Audit Department will also strive to recommend sound and practical improvement to management on existing control system wherever necessary after conducting an audit of the various department and operational systems, so as to safeguard the assets of the Company.

CORPORATE GOVERNANCE STATEMENT

AHB HOLDINGS BERHAD

Introduction

The Board of Directors ("the Board") of AHB Holdings Berhad ("the Company") is committed to ensuring the highest standards of Corporate Governance are practiced throughout the organisation as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and financial performance of the Company. Currently, the Board is working towards ensuring full application of all principles in the Malaysian Code on Corporate Governance ("the Code") and is also committed to ensuring compliance with the best practices as recommended in the Code.

This statement below details out the commitment of the Board towards good corporate governance principles set out in Part 1 of the Code and the extent to which it has applied and complied with the best practices set out in Part 2 of the Code throughout the financial year ended 30 June 2007.

BOARD OF DIRECTORS

The Board

The Company is led and managed by an experienced Board comprising members with wide range of experience in relevant fields such as manufacturing, marketing, merchandising, secretarial, finance, accounting, etc. Together the Directors bring a broad range of skills, experiences and knowledge required to successfully direct and supervise the Company's business activities, which are vital to the success of the Group.

a) Board Composition

The Board consists of a Non-Independent Non-Executive Chairman, a Group Managing Director, a Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors. The roles of the Chairman of the Board and Managing Director are segregated.

The two (2) Independent Non-Executive Directors of the Company who form one-third (1/3) of the Board provide the Board with a good mix of industry-specific knowledge plus broad business and commercial experience. They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest standards of conduct and integrity are maintained by the Group.

b) Board Responsibilities

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to management's responsibilities, which the Executive Directors are aware and are responsible for meeting. The Board had an understanding of matters reserved to itself for decision, which includes the overall Group strategy and direction, acquisition and divestment policy, approval for major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

c) Supply of Information

Prior to Board meetings, an agenda together with the relevant documents and information are distributed to all Directors. The Group Managing Director and/or other relevant Board members will provide comprehensive explanation of pertinent issues and recommendations by the management. The issues would then be deliberated and discussed thoroughly by the Board prior to decision-making.

Apart from the above, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors whether as a full board or in their individual capacity have access to all information of the Company on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretary and to obtain independent professional advice, whenever necessary, at the expense of the Group.

d) Board Meetings

There were five (5) Board of Directors' Meetings held during the financial year ended 30 June 2007. Details of the attendance of the Directors at the Board of Directors' Meetings are as follows:-

| Directors | Dates of Board of Directors' Meetings held during the financial year | | | | | Total meetings attended | Percentage of Attendance (%) |
|---|--|----------|----------|----------|----------|-------------------------|------------------------------|
| | 29/08/06 | 16/10/06 | 24/11/06 | 28/02/07 | 30/05/07 | | |
| Mirzan Mahathir | V | X | V | V | V | 4/5 | 80 |
| Yong Yoke Keong | V | V | V | V | V | 5/5 | 100 |
| Yong Chew Keat | V | V | V | V | V | 5/5 | 100 |
| Hee Teck Ming (Resigned w.e.f. 25 April 2007) | V | V | V | V | N/A | 4/4 | 100 |
| Dato' Ong Kim Hoay (Resigned w.e.f. 8 May 2007) | V | V | V | V | N/A | 4/4 | 100 |
| Lim Chee Hoong (Appointed w.e.f. 28 May 2007) | N/A | N/A | N/A | N/A | V | 1/1 | 100 |
| Danny Ng Siew L'Leong (Appointed w.e.f. 28 May 2007) | N/A | N/A | N/A | N/A | V | 1/1 | 100 |

e) Appointment to the Board

A Nomination Committee has been established by the Board comprising wholly Non-Executive Directors, majority of whom are independent Directors, as follows:-

| | |
|--------------------------|--|
| Mr Danny Ng Siew L'Leong | (Chairman, Independent Non-Executive Director) |
| Mr Yong Chew Keat | (Member, Non-Independent Non-Executive Director) |
| Mr Lim Chee Hoong | (Member, Independent Non-Executive Director) |

The Committee is generally responsible to:-

- assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.
- assess the size of the Board and review the mix of skills and experience and other qualities of the Board members required for the Board to function completely and efficiently.
- assess and recommend new nominees for appointment to the Board for the Board's final decision-making.

The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

f) Re-election

In accordance with the provisions of the Articles of Association of the Company, one-third (1/3) of the Board of Directors for the time being or if their number is not three (3) or multiples of three (3),

then the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting and shall be eligible for re-election.

g) Directors' Training

The new Directors appointed during the financial year ended 30 June 2007 had attended and completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analyst Malaysia (RIIAM).

The Directors acknowledge their duty to comply with the training requirements as prescribed by Bursa Malaysia Securities Berhad and shall assess their training needs on a regular basis in order to keep themselves updated on regulatory and corporate governance developments in enabling them to discharge their duty more effectively.

h) Directors' Remuneration

A Remuneration Committee has been established by the Board comprising wholly Non-Executive Directors, the majority of whom are independent, as follows:-

| | |
|--------------------------|--|
| Mr Danny Ng Siew L'Leong | (Chairman, Independent Non-Executive Director) |
| Mr Yong Chew Keat | (Member, Non-Independent Non-Executive Director) |
| Mr Lim Chee Hoong | (Member, Independent Non-Executive Director) |

The Remuneration Committee shall ensure that the levels of remuneration is sufficient to attract and retain Directors of the quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the executive directors. In the case of non-executive directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the non-executive directors concerned.

Details of Directors' remuneration for the financial year ended 30 June 2007 are set out below:

| Group | Fees RM'000 | Salaries and Emoluments RM'000 | Bonus and Red Packet RM'000 | Other Emoluments RM'000 | Total RM'000 |
|-------------------------|----------------|--------------------------------------|-----------------------------------|-------------------------------|-----------------|
| Executive Director | 24 | 285 | 10 | 15 | 334 |
| Non-Executive Directors | 34 | - | - | - | 34 |

The number of Directors whose total remuneration falls within the respective bands are as follows:

| | Number of Directors | |
|-----------------------|---------------------|---------------|
| | Executive | Non-Executive |
| Below RM50,000 | - | 5 |
| RM50,001 - RM100,000 | 1 | - |
| RM100,001 - RM150,000 | - | - |
| RM150,001 - RM200,000 | 1 | - |
| | <u>2</u> | <u>5</u> |

SHAREHOLDERS

a) Dialogue with Investors

Recognizing the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensuring that the shareholders and other stakeholders are

well informed of major developments of the Company and the information is communicated to them through the following:

- the Annual Report; and
- the various disclosures and announcements made to Bursa Malaysia Securities Berhad including the quarterly financial results and annual financial results.

b) General Meetings

The Company's Annual General Meeting serves as a principle forum for dialogue with shareholders. Extraordinary General Meetings is held as and when required.

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Directors are responsible to present a true and fair assessment of the Group's position and prospects in the annual reports and quarterly reports. The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors prior to the submission to Bursa Malaysia Securities Berhad.

b) Directors' Responsibility Statement in respect of the Audited Financial Statements for the financial year ended 30 June 2007

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 30 June 2007, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

c) Internal Control

The Board has an overall responsibility in maintaining a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal procedures and guidelines. The Statement on Internal Control is set out on page 10 of this Annual Report.

d) Relationship with the Auditors

The Board has established a formal and transparent arrangement for maintaining appropriate relationships with the external auditors in seeking professional advice and ensuring the compliance with the appropriate accounting standards. The Audit Committee met with the external auditors to discuss their audit plan, audit findings and the financial statements.

CORPORATE GOVERNANCE STATEMENT (cont.)

AHB HOLDINGS BERHAD

ADDITIONAL INFORMATION

a) Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 30 June 2007 involving the Directors' and/or major shareholders' interest.

b) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies.

c) Statement on Revaluation Policy

The Group has not adopted a policy of regular revaluation on the Group's landed property.

d) Non-Audit Fees

There were no non-audit fees paid to the external auditors for the financial year ended 30 June 2007.

e) American Depository Receipt ("ADR") / Global Depository Receipt ("GDR")

The Company has not sponsored any ADR or GDR programme in the financial year ended 30 June 2007.

f) Variation in Results

There is a deviation in the net loss stated in the unaudited fourth quarter financial results announced on 30 August 2007 and the revised audited financial statements for the financial year ended 30 June 2007 and the reconciliation is as follows:-

| | RM |
|--|-----------|
| Loss after tax and minority interest as per announced unaudited results | 5,228,932 |
| Add additional provisions for doubtful debts | 2,159,860 |
| Subtract reduction in directors' remuneration | 100,000 |
| Loss after tax and minority interest as per revised audited financial statements | 7,288,792 |

The deviation is a result of the Board's decision subsequent to the fourth quarter announcement and audit adjustments taken up upon completion of the audit for the financial year ended 30 June 2007. In addition, the Board has approved a reduction in Directors' remuneration amounting to RM100,000 subsequent to the announcement of the audited financial statements on 31 October 2007, and as a consequence required the audited financial statements for the financial year ended 30 June 2007 to be revised.

g) Securities Commission Conditions Imposed On AHB Holdings Berhad ("AHB")

The Securities Commission ("SC") has vide its letter dated 26 October 2005 approved under Section 32(5) of the Securities Commission Act, 1993 the waiver from complying with approval conditions as set out in the SC's letter dated 28 January 2002, as follows:

- (i) AHB should ensure full compliance with paragraph 11.12 of the Policies and Guidelines on Issue/Offer of Securities ("SC Issues Guidelines") with regard to the listing of a trading/retailing company on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") or operate a core business for which listing on the Second Board of Bursa Securities is allowed, within 2 years from the date of the decision letter; and
- (ii) AHB should eliminate its accumulated losses within 2 1/2 years from the date of the decision letter.

The SC's approval is subject to the condition that the Company or its advisers, Affin Merchant Bank Berhad should submit a detailed proposal to the SC on the Company's plan to eliminate the accumulated losses and the said proposal should also be announced to Bursa Securities. The Board of Directors of the Company has taken note of the condition imposed by the SC and will deliberate on the same and/or the next course of action to be taken by the Company.

Statement on Internal Control

a) Responsibility

The Board of Directors acknowledges responsibilities in maintaining a sound internal controls systems and for reviewing its adequacy and effectiveness.

The internal control system is designed to safeguard shareholders' investment and the Group's assets. It serves to manage rather than eliminate the risk of failure to achieve business objectives. This is in recognition of limitation inherent in any system that can provide only reasonable but not absolute assurance against material misstatement or loss.

The Board is satisfied that the internal control system was generally satisfactory for the financial year under review, and there was a continual process for identifying, evaluating and managing the significant risks faced by the Group.

b) Risk Management

During the financial year, the Internal Audit Department assisted the Audit Committee and Board of Directors on internal control assessments and checks. This provided assessments and feedback through:

- Documenting policies, procedures and process flows in the Working Guidelines and responding to queries from the Audit Committee; and
- Promoting risk awareness and the value and nature of an effective internal control system.

The Internal Audit Department together with the company secretary assisted the Audit Committee and Board of Directors by providing assessment and feedback in the areas of:

- Checking on compliance with laws, regulations, corporate policies and procedures; and
- Evaluating the effectiveness of risk management and corporate governance.

c) Internal Control System

The key elements of the Group's Internal Control system are as follows:

- Regular reviews and discussions are held to identify and resolve business, financial, and other management issues.
- Roles and responsibilities of delegated authority are clearly defined and set out in the Group's policies and guidelines. These policies and guidelines are reviewed regularly and updated when needed. They can be accessed by all employees to facilitate awareness and compliance.
- The Audit Committee with the assistance of the Internal Audit Department monitors remedial actions on internal control issues identified.

The Board will continue to take suitable steps to strengthen the control environment in which the Group operates in.

This Statement made in accordance with the resolution of the Board of Directors dated 27 August 2007.

FINANCIAL STATEMENTS



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DIRECTORS' REPORT

AHB HOLDINGS BERHAD

The directors of **AHB HOLDINGS BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended June 30, 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiary companies are set out in Note 13 to the Financial Statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

| | The Group RM | The Company RM |
|-------------------------------|-------------------------|---------------------------|
| Loss before tax | (7,178,249) | (3,242,612) |
| Income tax expense | - | - |
| | <hr/> | <hr/> |
| Loss for the year | (7,178,249) | (3,242,612) |
| | <hr/> | <hr/> |
| Attributable to: | | |
| Equity holders of the Company | (7,288,792) | |
| Minority interests | 110,543 | |
| | <hr/> | |
| | (7,178,249) | |
| | <hr/> | |

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

As mentioned in Note 7 to the Financial Statements, the financial statements for the financial year ended June 30, 2007 have been updated to reflect a partial waiver of directors' emoluments that was notified to the Group subsequent to the issuance of the financial statements for the financial year ended June 30, 2007 on October 30, 2007.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid up share capital of the Company was increased from 41,858,633 ordinary shares of RM1 each to 48,131,398 ordinary shares of RM1 each by way of conversions during the year of RM8,970,055 nominal value of 5.5% Irredeemable Convertible Unsecured Loan Stocks 2002/2007 (ICULS) into 6,272,765 new ordinary shares of RM1 each at a conversion price of RM1.43 per share.

The resulting share premium of RM2,697,290 arising from the above conversions of ICULS has been credited to the share premium account.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company except that these shares are not entitled to any dividends, rights, allotments and/or distributions prior to the allotment of the new shares.

The Company has not issued any debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

Pursuant to the Company's Employees Share Option Scheme (ESOS) which became effective on June 10, 2002, the granting and exercise of options to subscribe for up to ten per centum (10%) of the issued and paid-up share capital of the Company are made available to eligible directors and employees of the Group.

The salient features of the ESOS are as follows:

- (i) eligible employees are those who have been confirmed in writing as employees of the Group and be at least eighteen (18) years of age at the date of offer;
- (ii) the option is personal to the grantee and is non-assignable;
- (iii) the option price shall be determined by the Board upon the recommendation of the ESOS Committee which may be at a discount of not more than ten per centum (10%) or the weighted average market price of the shares of the Company for the five market days immediately preceding

the date of the offer or the par value of the shares of the Company, whichever is higher;

- (iv) the options granted may be exercised at anytime within a period of five (5) years from the date of offer; and
- (v) the options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiple of one thousand option shares.

The ESOS expired on June 9, 2007, and the Company has not offered any options to its eligible directors and employees during the financial year.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the

financial year and secures the liability of any other person; or

- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The Directors who have held office during the financial year since the date of the last report are as follows:

Yong Yoke Keong
Yong Chew Keat
Mirzan bin Mahathir
Danny Ng Siew L' Leong (appointed on 28.5.2007)
Lim Chee Hoong (appointed on 28.5.2007)
Hee Teck Ming (resigned on 25.4.2007)
Dato' Ong Kim Hoay (resigned on 8.5.2007)

In accordance with Article 85 of the Company's Articles of Association, Mr. Yong Chew Keat retires by rotation at the forthcoming Annual General Meeting and does not offer himself for re-election.

Mr. Danny Ng Siew L' Leong and Mr. Lim Chee Hoong, who were appointed to the Board since the last Annual General Meeting, retire in accordance with Article 92 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (cont.)

AHB HOLDINGS BERHAD

DIRECTORS' INTEREST

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

| Shares in the Company | Number of ordinary shares of RM1 each | | | Balance as of 30.6.2007 |
|--|---------------------------------------|--------|------|----------------------------|
| | Balance as of 1.7.2006 | Bought | Sold | |
| Registered in name of directors | | | | |
| Direct interest | | | | |
| Yong Yoke Keong | 10,150,269 | - | - | 10,150,269 |
| Yong Chew Keat | 2,929,770 | - | - | 2,929,770 |
| Indirect interest | | | | |
| Mirzan bin Mahathir | 3,294,720 | - | - | 3,294,720 |

By virtue of their direct and indirect shareholdings in the Company, the directors are deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has an interest.

Other than as disclosed above, none of the other directors holding office at the end of the financial year had any interest or beneficial interest in the shares of the Company or its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the directors,

YONG YOKE KEONG

YONG CHEW KEAT

Kuala Lumpur,
October 30, 2007 except for Note 7 to the Financial Statements as to which the date is November 6,
2007.

We have audited the accompanying balance sheets as of June 30, 2007 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As mentioned in Note 7 to the Financial Statements, the financial statements for the financial year ended June 30, 2007, which we have reported on have been updated to reflect a partial waiver of directors' emoluments that was notified to the Group subsequent to the issuance of the financial statements for the financial year ended June 30, 2007 on October 30, 2007. The said updated financial statements of the Group and of the Company for the financial year ended June 30, 2007 have been authorised by the Board of Directors for reissuance on November 6, 2007. We have consequently reissued our report on these reissued financial statements for the financial year ended June 30, 2007, and this report supersedes our report dated October 30, 2007 on the financial statements for the financial year ended June 30, 2007.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of June 30, 2007 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

Without qualifying our opinion, we draw attention to Note 17 to the Financial Statements. The Company has made an allowance of RM3,938,524 for possible losses in collection of an amount of RM7,930,273 which has been long outstanding from a trade debtor. The full recoverability of the said long outstanding trade receivable is dependent on the ability of the trade debtor to generate sufficient future profit and cashflows.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

YEE YOON CHONG
1829/07/09 (J)
Partner

October 30, 2007 except for Note 7 to the Financial Statements as to which the date is November 6, 2007.

INCOME STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

AHB HOLDINGS BERHAD

| | Note | The Group | | The Company | |
|---|------|--------------|--------------|-------------|-------------|
| | | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Revenue | 5 | 45,037,631 | 39,485,930 | - | - |
| Other operating income | 6 | 2,442,294 | 5,128,397 | 1,060,130 | 470,044 |
| Share of losses of associated company | | - | (1,271,937) | - | - |
| Purchase of trading merchandise | | (27,952,941) | (24,749,060) | - | - |
| Changes in trading merchandise | | 857,094 | (191,994) | - | - |
| Directors' remuneration | 7 | (399,872) | (710,088) | (58,000) | (72,000) |
| Staff costs | 6 | (3,048,202) | (3,203,933) | - | - |
| Depreciation of property, plant and equipment | 11 | (624,750) | (935,645) | - | - |
| Amortisation of intangible assets | 15 | (370,015) | (483,761) | - | - |
| Amortisation and write-off of goodwill | 12 | - | (601,036) | - | - |
| Finance costs | 8 | (1,587,707) | (1,283,238) | (282,628) | (615,402) |
| Impairment loss on investment in subsidiary companies | | - | - | (3,835,000) | (1,790,000) |
| Other operating expenses | 6 | (21,531,781) | (10,695,912) | (127,114) | (223,529) |
| (Loss)/Profit before tax | | (7,178,249) | 487,723 | (3,242,612) | (2,230,887) |
| Income tax expense | 9 | - | (10,140) | - | 1,167 |
| (Loss)/Profit for the year | | (7,178,249) | 477,583 | (3,242,612) | (2,229,720) |
| Attributable to: | | | | | |
| Equity holders of the Company | | (7,288,792) | 524,440 | (3,242,612) | (2,229,720) |
| Minority Interests | | 110,543 | (46,857) | - | - |
| | | (7,178,249) | 477,583 | (3,242,612) | (2,229,720) |
| (Loss)/Earnings per ordinary share (sen) | | | | | |
| Basic | 10 | (16.68) | 1.25 | | |
| Fully diluted | 10 | N/A | N/A | | |

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEET AS AT JUNE 30, 2007

AHB HOLDINGS BERHAD

| | Note | The Group | | The Company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| ASSETS | | | | | |
| Non-current Assets | | | | | |
| Property, plant and equipment | 11 | 2,635,538 | 3,353,430 | - | - |
| Goodwill on consolidation | 12 | 2,120,422 | 2,120,422 | - | - |
| Investment in subsidiary companies | 13 | - | - | 34,005,922 | 37,840,922 |
| Other investments | 14 | 1,000 | 26,000 | - | - |
| Intangible assets | 15 | 349,572 | 739,193 | - | - |
| Total Non-current Assets | | <u>5,106,532</u> | <u>6,239,045</u> | <u>34,005,922</u> | <u>37,840,922</u> |
| Current Assets | | | | | |
| Inventories | 16 | 8,225,384 | 8,148,334 | - | - |
| Trade receivables | 17 | 20,475,302 | 23,613,250 | - | - |
| Other receivables and prepaid expenses | 18 | 3,008,449 | 3,164,794 | - | - |
| Tax recoverable | | 147,918 | 147,618 | 10,278 | 10,278 |
| Amount owing by subsidiary companies | 19 | - | - | 15,287,530 | 15,459,997 |
| Fixed deposits, cash and bank balances | 20 | 1,549,428 | 2,334,270 | 9,352 | 9,782 |
| Total Current Assets | | <u>33,406,481</u> | <u>37,408,266</u> | <u>15,307,160</u> | <u>15,480,057</u> |
| TOTAL ASSETS | | <u>38,513,013</u> | <u>43,647,311</u> | <u>49,313,082</u> | <u>53,320,979</u> |

BALANCE SHEET AS AT JUNE 30, 2007 (cont.)

AHB HOLDINGS BERHAD

| | Note | The Group | | The Company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| EQUITY AND LIABILITIES | | | | | |
| Capital and Reserves | | | | | |
| Share capital | 21 | 48,131,398 | 41,858,633 | 48,131,398 | 41,858,633 |
| Reserves | 22 | (36,058,177) | (31,131,862) | (11,127,340) | (10,247,205) |
| Irredeemable Convertible Unsecured Loan Stocks | 23 | - | 8,970,055 | - | 8,970,055 |
| | | <u>12,073,221</u> | <u>19,696,826</u> | <u>37,004,058</u> | <u>40,581,483</u> |
| Minority interest | | 196,720 | 86,177 | - | - |
| Total Equity | | <u>12,269,941</u> | <u>19,783,003</u> | <u>37,004,058</u> | <u>40,581,483</u> |
| Non-Current Liabilities | | | | | |
| Hire-purchase payables - non-current portion | 24 | 5,924 | 20,264 | - | - |
| Long term loans - non-current portion | 25 | 1,815,810 | 1,294,061 | - | - |
| Deferred tax liability | 26 | 4,700 | 4,700 | - | - |
| Total Non-current Liabilities | | <u>1,826,434</u> | <u>1,319,025</u> | <u>-</u> | <u>-</u> |
| Current Liabilities | | | | | |
| Trade payables | 27 | 996,582 | 1,139,803 | - | - |
| Other payables and accrued expenses | 27 | 15,271,063 | 12,543,619 | 767,060 | 1,378,247 |
| Amount owing to subsidiary companies | 19 | - | - | 8,974,786 | 8,970,699 |
| Amount owing to directors | 28 | 200,805 | 337,800 | 146,000 | 252,000 |
| Bank borrowings | 29 | 7,840,932 | 8,399,610 | 2,421,178 | 2,138,550 |
| Hire-purchase payables - current portion | 24 | 107,256 | 108,451 | - | - |
| Tax liabilities | | - | 16,000 | - | - |
| Total Current Liabilities | | <u>24,416,638</u> | <u>22,545,283</u> | <u>12,309,024</u> | <u>12,739,496</u> |
| Total Liabilities | | <u>26,243,072</u> | <u>23,864,308</u> | <u>12,309,024</u> | <u>12,739,496</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>38,513,013</u> | <u>43,647,311</u> | <u>49,313,082</u> | <u>53,320,979</u> |

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

AHB HOLDINGS BERHAD

| The Group | Note | Attributable to Equity Holders of the Company | | | | | Minority Interest RM | Total RM |
|--|------|---|---|---|---------------------------|-------------------|-------------------------|-------------------|
| | | Issued Capital RM | Irredeemable Convertible Unsecured Loan Stocks (ICULS) RM | Non-distributable Reserve-Share Premium RM | Accumulated Loss RM | Total RM | | |
| Balance as at July 1, 2005 | | 41,853,599 | 8,977,255 | 965,154 | (32,130,271) | 19,665,737 | 133,034 | 19,798,771 |
| Income/(Expense) recognised directly in Equity – Interest on ICULS | | - | - | - | (493,351) | (493,351) | - | (493,351) |
| Profit for the year | | - | - | - | 524,440 | 524,440 | (46,857) | 477,583 |
| Total recognised income and expenses | | - | - | - | 31,089 | 31,089 | (46,857) | (15,768) |
| Issue of shares: Conversion of ICULS | 21 | 5,034 | (7,200) | 2,166 | - | - | - | - |
| Balance as at June 30, 2006 | | <u>41,858,633</u> | <u>8,970,055</u> | <u>967,320</u> | <u>(32,099,182)</u> | <u>19,696,826</u> | <u>86,177</u> | <u>19,783,003</u> |
| Balance as at July 1, 2006 | | 41,858,633 | 8,970,055 | 967,320 | (32,099,182) | 19,696,826 | 86,177 | 19,783,003 |
| Income/(Expense) recognised directly in Equity - Interest on ICULS | | - | - | - | (334,813) | (334,813) | - | (334,813) |
| Loss for the year | | - | - | - | (7,288,792) | (7,288,792) | 110,543 | (7,178,249) |
| Total recognised income and expenses | - | - | - | (7,623,605) | (7,623,605) | 110,543 | (7,513,062) | |
| Issue of shares: Conversion of ICULS | 21 | 6,272,765 | (8,970,055) | 2,697,290 | - | - | - | - |
| Balance as at June 30, 2007 | | <u>48,131,398</u> | <u>-</u> | <u>3,664,610</u> | <u>(39,722,787)</u> | <u>12,073,221</u> | <u>196,720</u> | <u>12,269,941</u> |

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007 (cont.)

AHB HOLDINGS BERHAD

The Company

| | Note | Issued Capital RM | Irredeemable Convertible Unsecured Loan Stocks (ICULS) RM | Non-distributable Reserve-Share Premium RM | Accumulated Loss RM | Total RM |
|---|------|-------------------------|---|---|---------------------------|-------------|
| Balance as at July 1, 2005 | | 41,853,599 | 8,977,255 | 965,154 | (8,491,454) | 43,304,554 |
| Income/(Expense) recognised directly in Equity - Interest on ICULS | | - | - | - | (493,351) | (493,351) |
| Loss for the year | | - | - | - | (2,229,720) | (2,229,720) |
| Total recognised income and expenses | | - | - | - | (2,723,071) | (2,723,071) |
| Issue of shares: | | | | | | |
| Conversion of ICULS | 21 | 5,034 | (7,200) | 2,166 | - | - |
| Balance as at June 30, 2006 | | 41,858,633 | 8,970,055 | 967,320 | (11,214,525) | 40,581,483 |
| Balance as at July 1, 2006 | | 41,858,633 | 8,970,055 | 967,320 | (11,214,525) | 40,581,483 |
| Income/(Expense) recognised directly in Equity - Interest on ICULS | | - | - | - | (334,813) | (334,813) |
| Loss for the year | | - | - | - | (3,242,612) | (3,242,612) |
| Total recognised income and expenses | | - | - | - | (3,577,425) | (3,577,425) |
| Issue of shares: | | | | | | |
| Conversion of ICULS | 21 | 6,272,765 | (8,970,055) | 2,697,290 | - | - |
| Balance as at June 30, 2007 | | 48,131,398 | - | 3,664,610 | (14,791,950) | 37,004,058 |

The accompanying Notes form an integral part of the Financial Statements.

CASHFLOW STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

AHB HOLDINGS BERHAD

| | Note | The Group | | The Company | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| CASH FLOWS FROM/(USED IN OPERATING ACTIVITIES) | | | | | |
| (Loss)/Profit for the year | | (7,178,249) | 477,583 | (3,242,612) | (2,229,720) |
| Adjustments for: | | | | | |
| Allowance for doubtful debts: | | | | | |
| Trade receivables | | 5,862,852 | 4,281,130 | - | - |
| Other receivables | | 1,289,072 | - | - | - |
| Write-off of: | | | | | |
| Trade receivables | | 2,157,568 | - | - | - |
| Inventories | | 1,791,020 | - | - | - |
| Property, plant and equipment | | 162,370 | 2,525 | - | - |
| Deposits | | 105,000 | - | - | - |
| Other investments | | 25,000 | - | - | - |
| Unrealised loss on foreign exchange | | 2,373,491 | 825,395 | - | - |
| Finance costs | | 1,587,707 | 1,283,238 | 282,628 | 615,402 |
| Allowance for inventory obsolescence | | 850,000 | 760,015 | - | - |
| Depreciation of property, plant and equipment | | 624,750 | 935,645 | - | - |
| Amortisation of intangible assets | | 370,015 | 483,761 | - | - |
| Accrued expenses no longer required | | (1,059,844) | - | (1,059,844) | - |
| Gain on disposal of: | | | | | |
| Patents and trademarks | | (680,394) | - | - | - |
| Property, plant and equipment | | (34,169) | (25,000) | - | - |
| Interest income | | (286) | (31,374) | (286) | (27,207) |
| Gain on disposal of associated company | | - | (4,922,454) | - | (442,837) |
| Impairment loss on investment in subsidiary companies | | - | - | 3,835,000 | 1,790,000 |
| Share of losses of associated company | | - | 1,271,937 | - | - |
| Amortisation and write-off of goodwill | | - | 601,036 | - | - |
| Income tax expense | | - | 10,140 | - | (1,167) |
| Operating Profit/(Loss) Before Working Capital Changes | | 8,245,903 | 5,953,577 | (185,114) | (295,529) |
| (Increase)/Decrease in: | | | | | |
| Inventories | | (2,718,070) | (287,977) | - | - |
| Trade receivables | | (7,255,963) | (3,495,159) | - | - |
| Other receivables and prepaid expenses | | (1,237,727) | (702,883) | - | - |
| Amount owing by subsidiary companies | | - | - | 172,467 | (1,458,689) |
| Fixed deposits with licensed banks | | - | 1,059,390 | - | 1,059,390 |

CASHFLOW STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007 (cont.)

AHB HOLDINGS BERHAD

| | Note | The Group | | The Company | |
|---|------|-------------|--------------|-------------|--------------|
| | | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Increase/(Decrease) in: | | | | | |
| Trade payables | | (143,221) | 856,689 | - | - |
| Other payables and accrued expenses | | 3,072,094 | (1,275,905) | 448,657 | 157,724 |
| Amount owing to subsidiary companies | | - | - | 4,087 | 617,182 |
| Amount owing to directors | | (136,995) | 159,298 | (106,000) | 73,498 |
| Cash (Used In)/Generated From Operations | | (173,979) | 2,267,030 | 334,097 | 153,576 |
| Income tax paid | | (16,300) | (4,807) | - | - |
| Interest income | | - | 31,374 | - | 27,207 |
| Net Cash (Used In)/ From Operating Activities | | (190,279) | 2,293,597 | 334,097 | 180,783 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from disposal of patents and trademark | | 700,000 | - | - | - |
| Proceeds from disposal of property, plant and equipment | | 49,425 | 25,000 | - | - |
| Purchase of property, plant and equipment | | (84,484) | (92,862) | - | - |
| Proceeds from disposal of investment in associated company | | - | 17,067,837 | - | 17,067,837 |
| Net Cash From Investing Activities | | 664,941 | 16,999,975 | - | 17,067,837 |
| CASHFLOWS USED IN FINANCING ACTIVITIES | | | | | |
| Finance costs paid | | (589,885) | (1,283,238) | - | (615,402) |
| Interest on ICULS paid | | (334,813) | (493,351) | (334,813) | (493,351) |
| Repayment of long-term loans | | (272,860) | (16,131,538) | - | (16,625,000) |
| Payment of hire-purchase payables | | (15,535) | (13,145) | - | - |
| Interest received | | 286 | - | 286 | - |
| Increase in bank borrowings (excluding bank overdrafts) | | - | 483,435 | - | 483,435 |
| Payment of lease payables | | - | (2,190) | - | - |
| Net Cash Used In Financing Activities | | (1,212,807) | (17,440,027) | (334,527) | (17,250,318) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (738,145) | 1,853,545 | (430) | (1,698) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 2,168,328 | 314,783 | 9,782 | 11,480 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 30 | 1,430,183 | 2,168,328 | 9,352 | 9,782 |

The accompanying Notes form an integral part of the Financial Statements.

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiary companies are set out in Note 13.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

The registered office of the Company is located at Suite 11.1A, Level 11, Menara Weld, 76, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at 68, Jalan Puteri 2/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on October 30, 2007.

As mentioned in Note 7, the financial statements for the financial year ended June 30, 2007 have been updated to reflect a partial waiver of directors' emoluments that was notified to the Group subsequent to the issuance of the financial statements for the financial year ended June 30, 2007 on October 30, 2007. The said updated financial statements of the Group and of the Company for the financial year ended June 30, 2007 have been authorised by the Board of Directors for reissuance on November 6, 2007.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

Changes in Accounting Policies

In the current financial year, the Group and the Company adopted all the new and revised Financial Reporting Standards ("FRS") and Issues Committee Interpretations ("Interpretations") issued by MASB that are relevant to their operations and effective for annual financial periods beginning on or after January 1, 2006 as follows:

| | |
|---------|---|
| FRS 3 | Business Combinations |
| FRS 101 | Presentation of Financial Statements |
| FRS 102 | Inventories |
| FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| FRS 110 | Events After the Balance Sheet Date |
| FRS 116 | Property, Plant and Equipment |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 132 | Financial Instruments: Disclosure and Presentation |
| FRS 133 | Earnings per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

The adoption of the above FRSs does not have significant financial impact on the financial statements of the Group and of the Company for the current and prior financial years. The principal effects of the changes in accounting policies resulting from the adoption of FRS 3 and FRS 101 are set out below:

FRS 3 : Business Combinations

The adoption of FRS 3 has resulted in the Group ceasing annual goodwill amortisation. Goodwill on consolidation is carried at cost less accumulated impairment losses and is subject to annual impairment test or more frequently if events or changes in circumstances indicate it might be impaired. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

Prior to July 1, 2006, goodwill on consolidation was amortised on a straight-line basis over its estimated useful life of 25 years and was reviewed at each balance sheet date, and will be written off for impairment when it is considered necessary. The transitional provisions of FRS 3, however, requires the Group to eliminate the accumulated amortisation of goodwill on consolidation of RM2,291,482 as of July 1, 2006 against the cost of goodwill on consolidation as of July 1, 2006.

The carrying amount of goodwill on consolidation of RM2,120,422 as of July 1, 2006 was not subject to any further amortisation. The effect of the accounting change is to reduce the amortisation charges by RM209,096 and correspondingly increase the profit before tax by the same amount for the current financial year ended June 30, 2007.

FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures in the financial statements of the Group. In the consolidated balance sheet, minority interest is now presented within total equity. In the consolidated income statement, minority interest is presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, of total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interest. Accordingly certain comparatives have been reclassified to conform with the current year's presentation.

Accounting Standards Issued but Not Effective

As of June 30, 2007, the following new and revised FRSs and Interpretations have been issued but not yet effective until future periods.

Applicable to operations of the Group and of the Company

| | |
|-----------------------|---|
| FRS 117 | Leases |
| Amendments to FRS 121 | The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operation. |
| FRS 124 | Related Party Disclosures |
| FRS 139 | Financial Instruments: Recognition and Measurement |

FRS 117 is effective for accounting periods beginning on or after October 1, 2006. The directors anticipate that the adoption of FRS 117 will not have a material effect on the financial statements of the Group and of the Company. The Group and the Company will apply this standard from financial periods beginning July 1, 2007.

Amendments to FRS 121 are effective for accounting period beginning on or after July 1, 2007. The directors anticipate that the adoption of Amendments to FRS 121 will not have a material effect on the financial statements of the Group and of the Company. The Group and the Company will apply this standard from financial periods beginning July 1, 2007.

FRS 124 is effective for accounting periods beginning on or after 1 October 2006 and will affect the identification of related parties and some other related party disclosures. The Group and the Company will apply this standard from financial periods beginning July 1, 2007.

The effective date of FRS 139 is yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company will apply this standard when it becomes effective.

Not applicable to operations of the Group and of the Company

| | |
|---------------------------------------|--|
| FRS 6 | Exploration for and Evaluation of Mineral Resources |
| Amendments to FRS 119 ₂₀₀₄ | Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures |
| Interpretation 1 | Changes in Existing Decommissioning, Restoration & Similar Liabilities |
| Interpretation 2 | Members' Shares in Co-operative Entities & Similar Instruments |
| Interpretation 5 | Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds |
| Interpretation 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment |
| Interpretation 7 | Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies |
| Interpretation 8 | Scope of FRS 2 |

FRS 6 is effective for financial periods beginning on or after July 1, 2007. This standard is not relevant to the Group's and the Company's operations as the Group and the Company do not carry out exploration for and evaluation of mineral resources.

Amendments to FRS 119₂₀₀₄ are effective for accounting period beginning on or after July 1, 2007. This amendment is not relevant to the Group's and the Company's operations as the Group and the Company do not have any defined benefit plans.

The above Interpretations are not relevant to the Group's and the Company's operations as the Group and the Company do not have any operations/transactions relating to the above Interpretations.

In addition, on June 15, 2007, MASB issued the Framework for the Preparation and Presentation of Financial Statements ("the Framework") and 10 revised FRSs. The revised FRSs are as follows:

| | |
|---------|--|
| FRS 107 | Cash Flow Statements |
| FRS 111 | Construction Contracts |
| FRS 112 | Income Taxes |
| FRS 118 | Revenue |
| FRS 119 | Employee Benefits |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| FRS 126 | Accounting and Reporting by Retirement Benefit Plans |
| FRS 129 | Financial Reporting in Hyperinflationary Economies |
| FRS 134 | Interim Financial Reporting |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets |

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

The above FRSs shall apply to annual periods beginning on or after July 1, 2007 except for the following renamed FRSs which have the same effective dates as their original Standards, i.e., annual periods beginning on or after January 1, 2003:

- (a) FRS 119 Employee Benefits, which supersedes FRS 119₂₀₀₄ Employee Benefits and Amendment to 119₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures;
- (b) FRS 126 Accounting and Reporting by Retirement Benefit Plans, which supersedes FRS 126₂₀₀₄ Accounting and Reporting by Retirement Benefit Plans; and
- (c) FRS 129 Financial Reporting in Hyperinflationary Economies, which supersedes FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies.

3. SIGNIFICANT GROUP ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

Basis of Consolidation

Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The consolidated financial statements incorporate the audited financial statements of the Company and all its subsidiary companies controlled by the Company as disclosed in Note 13 made up to June 30, 2007.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method, the difference between the fair value of the cost of acquisition of subsidiary companies and the Group's share of the fair value of the identifiable net assets of subsidiaries acquired is included in the consolidated financial statements as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiaries acquired, the difference is recognised directly in the income statement.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The gain or loss on disposal of a subsidiary of the Group is the difference between net disposal proceeds and the Group's share of its net assets with any unamortised balance of goodwill on consolidation.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. Minority interest is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue

Revenue of the Group represents gross invoiced value of goods sold less returns and discounts.

Revenue of the Company represents gross dividend received and/or receivable from subsidiary companies.

Revenue is recognised on the following basis:

Gross invoiced value of goods sold - upon delivery of products and customer acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the customer.

Dividend income - when the shareholder's right to receive payment is established.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The principal closing rates used in conversion of foreign currency amounts are as follows:

| | 30.6.2007 | 30.6.2006 |
|-------------------------|------------------|------------------|
| Foreign currency | RM | RM |
| 1 United States Dollar | 3.46 | 3.67 |
| 1 Singapore Dollar | 2.25 | 2.31 |
| 100 Japanese Yen | 2.80 | 3.20 |

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is accounted for, using the "liability" method, in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Deferred tax is measured at tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or Cash-Generating Unit ("CGU") exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. For the purpose of assessing impairment, the Group estimates the recoverable amount of the CGU to which the assets belongs. Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal is recognised in the income statement, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The costs of property, plant and equipment comprise their purchase costs and any expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not amortised as it has an infinite life. Depreciation of other assets is calculated so as to write off the costs of the assets to their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates are:

| | |
|--|-----------|
| Warehouse, building and renovations | 2% - 10% |
| Plant and machinery | 10% |
| Tools, equipment and moulds | 10% |
| Office and computer equipment, furniture and fittings and air-conditioners | 10% - 20% |
| Motor vehicles | 20% |

The residual value and the useful life of an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit/(loss) from operations.

Property, Plant and Equipment Acquired under Hire-Purchase

Property, plant and equipment acquired under hire-purchase arrangements are capitalised as property, plant and equipment and the corresponding obligations treated as liabilities in the financial statements. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase obligations.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of minimum lease payments or the fair value of the leased assets at the beginning of the respective lease terms. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Intangible assets

(a) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's share of the fair value of their identifiable net assets at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(b) Patents and trademarks

Patents and trademarks include registration fees and other professional expenses directly attributable to the cost of acquisition.

The costs of patents and trademarks are amortised, commencing in the year subsequent to the year in which the costs are incurred, on a straight line basis over a period of 5 years or the period of the legal right of the Company to the patents or trademarks, whichever is shorter.

(c) Research and development costs

Research and development costs, which represents the cost of designing new or substantially improved products with commercial viability and for which there is a clear indication of the marketability of the products being developed, are capitalised and carried forward. Such costs are amortised over a period of 5 years in which benefits are expected to be derived commencing from the period in which the related sales are first made. Where projects are aborted or proven to be unsuccessful, the related costs are charged immediately to the income statements.

The recoverable amount of research and development costs is assessed on a regular basis, including when there is an indication that the asset has been impaired or that the impairment losses recognised in previous years no longer exist.

Investments

Investments in subsidiary companies are shown at cost in the Company's financial statements. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

Investments in quoted and unquoted shares are stated at cost, less impairment in the value of the investments to recognise any decline, other than a temporary decline, in the value of the investments.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statements.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the weighted average method. The cost of trading merchandise and raw materials comprises the original cost of purchase plus the cost of bringing the inventories to their present condition and location.

In arriving at the net realisable value, due allowance is made for all obsolete and slow moving inventories.

Receivables

Receivables are reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Borrowings

Borrowings are initially recognised based on the proceeds received. In subsequent periods, borrowings are stated with accumulated outstanding interest and net of repayment during the period. Portions repayable after 12 months are disclosed as non-current liabilities.

Borrowing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

Provisions for liabilities are recognised when the Group has a present or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Employee Benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences for paid annual leave when services are rendered by employees that increase their entitlement to future compensated absences are recognised based on the experience that absences will occur.

(b) Defined contribution plan

The Group is required by law to make monthly contributions to the Employees Provident Fund (EPF), a statutory defined contribution plan for all their eligible employees based on certain prescribed rates of the employees' salaries. The Group's contributions to EPF are disclosed separately. The employees' contributions to EPF are included in salaries and wages.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as follows:

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was RM2,120,422 (2006:RM2,120,422). Based on a review of estimated future cash flow, management believes that no impairment loss need to be recognised during the current financial year.

Allowance for doubtful debts

Allowance for doubtful debts is made based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group deals were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

5. REVENUE

| | The Group | |
|--|--------------------|--------------------|
| | 2007 RM | 2006 RM |
| Sales of drafting equipment, office furniture and specialised computer furniture | <u>45,037,631</u> | <u>39,485,930</u> |

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

6. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:

| | The Group | | The Company | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Accrued expenses no longer required | 1,059,844 | - | 1,059,844 | - |
| Gain on disposal of : | | | | |
| Patents and trademarks | 680,394 | - | - | - |
| Property, plant and equipment | 34,169 | 25,000 | - | - |
| Interest income on fixed deposits with licensed banks | 286 | 31,374 | 286 | 27,207 |
| Allowance for doubtful debts: | | | | |
| Trade receivables - net | (5,862,852) | (4,281,130) | - | - |
| Other receivables | (1,289,072) | - | - | - |
| Write-off of: | | | | |
| Trade receivables | (2,157,568) | - | - | - |
| Inventories | (1,791,020) | - | - | - |
| Property, plant and equipment | (162,370) | (2,525) | - | - |
| Deposits | (105,000) | - | - | - |
| Other investments | (25,000) | - | - | - |
| Foreign exchange (loss)/gain: | | | | |
| Unrealised | (2,373,491) | (825,395) | - | - |
| Realised | (927,359) | 37,714 | - | - |
| Allowance for inventory obsolescence | (850,000) | (760,015) | - | - |
| Rental of premises | (374,850) | (70,450) | - | - |
| Audit fee: | | | | |
| Current year | (82,500) | (81,300) | (14,500) | (14,500) |
| Underprovision in prior year | (4,450) | (26,000) | - | (6,700) |
| Gain on disposal of associated company | - | 4,922,454 | - | 442,837 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Staff costs include salaries, bonuses, contributions to EPF and all other staff related expenses. Contributions to EPF for the employees of the Group during the current financial year amounted to RM308,361 (2006 : RM304,748).

7. DIRECTOR'S REMUNERATION

| | The Group | | The Company | |
|--|----------------|----------------|---------------|---------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Company's directors | | | | |
| Executive directors: | | | | |
| Fees | 24,000 | 24,000 | 24,000 | 24,000 |
| Other emoluments | 394,544 | 504,000 | - | - |
| Less: Amount waived by a director (see note below) | (100,000) | - | - | - |
| EPF contributions | 47,328 | 60,480 | - | - |
| | 365,872 | 588,480 | 24,000 | 24,000 |
| Non-executive directors: | | | | |
| Fees | 34,000 | 48,000 | 34,000 | 48,000 |
| Subsidiary companies' directors | | | | |
| Executive directors: | | | | |
| Other emoluments | - | 65,722 | - | - |
| EPF contributions | - | 7,886 | - | - |
| | - | 73,608 | - | - |
| | <u>399,872</u> | <u>710,088</u> | <u>58,000</u> | <u>72,000</u> |

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to approximately RM15,125 (2006 : RM15,125).

Subsequent to October 30, 2007, being the date of issuance of the financial statements for the financial year ended June 30, 2007, the Group received a notification from an executive director to partially waive his emoluments amounting to RM100,000 for the current financial year ended June 30, 2007. Accordingly, the financial statements for the financial year ended June 30, 2007 have been updated to reflect the amount waived as shown above.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

8. FINANCE COSTS

Interest on:

Other payables
Long-term loans
Trust receipts
Bank overdrafts
Hire-purchase
Others

| | The Group | | The Company | |
|-----------------|------------------|------------------|----------------|----------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Other payables | 715,194 | - | - | - |
| Long-term loans | 558,122 | 1,087,995 | - | 442,837 |
| Trust receipts | 282,628 | 172,565 | 282,628 | 172,565 |
| Bank overdrafts | 16,794 | 14,805 | - | - |
| Hire-purchase | 3,188 | 2,369 | - | - |
| Others | 11,781 | 5,504 | - | - |
| | <u>1,587,707</u> | <u>1,283,238</u> | <u>282,628</u> | <u>615,402</u> |

9. INCOME TAX EXPENSE

Estimated tax payable:

Current year
Overprovision in prior years

| | The Group | | The Company | |
|------------------------------|------------|---------------|-------------|----------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Current year | - | 11,307 | - | - |
| Overprovision in prior years | - | (1,167) | - | (1,167) |
| | <u>-</u> | <u>10,140</u> | <u>-</u> | <u>(1,167)</u> |

The income tax expense for the year can be reconciled to the (loss)/profit before tax shown in the income statements as follows:

| | The Group | |
|--|-------------|------------|
| | 2007 RM | 2006 RM |
| (Loss)/Profit before tax | (7,178,249) | 487,723 |
| (Tax loss)/Tax at applicable tax rate: | | |
| 20% on the first RM500,000 of chargeable income | (100,000) | 97,545 |
| 27% on the balance of chargeable income | (1,803,127) | - |
| Tax effects of: | | |
| Non deductible expenses | 299,085 | 133,723 |
| Income not subject to tax | (286,158) | - |
| Deferred tax assets not recognised | 1,890,200 | - |
| Utilisation of deferred tax assets not recognised previously | - | (219,961) |
| Overprovision in prior years | - | (1,167) |
| | - | 10,140 |

A subsidiary company of the Company was granted pioneer status for the manufacture of drafting equipment and specialised computer furniture under the Promotion of Investments Act, 1986 for a period of five years. The Ministry of International Trade and Industry (MITI) has approved the production day (commencement of the tax exemption period) as 1 August 1991. By virtue of the said subsidiary company's pioneer status, all profits earned for the pioneer products during the pioneer period are exempted from income tax. Based on existing tax law, any dividends declared and proposed out of such tax-exempt profits are also exempted from income tax in the hands of the shareholders.

As of June 30, 2007, the cumulative estimated tax-exempt income available arising from tax-exempt income claimed during the pioneer period by the said subsidiary company amounted to approximately RM33,037,900 (2006: RM33,037,900) and is subject to approval by the Inland Revenue Board.

Also, the said subsidiary company has claimed reinvestment allowances under Schedule 7A of the Income Tax Act, 1967 which when utilised will enable the said subsidiary company to distribute tax-exempt dividends to the shareholders. As of June 30, 2007, the cumulative reinvestment allowances claimed and utilised by the said subsidiary company totalled RM15,901,000 (2006: RM15,901,000), and is subject to agreement by the Inland Revenue Board.

In prior financial year, the said subsidiary company received an additional tax assessment of RM756,271 for the year of assessment 1998 due to reinvestment allowances and certain expenses claimed that were disallowed by the tax authorities. The Company has appealed against the disallowance of these allowances and expenses and pending the outcome of the appeal, the additional tax assessment has not been provided for in the financial statements.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

10. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/earnings per ordinary share

Basic (loss)/earnings per ordinary share is calculated based on the Group's net (loss)/profit attributable to shareholders of the Company divided by the weighted average number of ordinary shares in issue during the financial year as follows:

| | The Group | |
|--|--------------------|-------------------|
| | 2007 RM | 2006 RM |
| (Loss)/Profit for the year | <u>(7,288,792)</u> | <u>524,440</u> |
| Number of ordinary shares at beginning of year | 41,858,633 | 41,853,599 |
| Effect of ordinary shares issued pursuant to conversions of 5.5% ICULS 2002/2007 | <u>1,842,653</u> | <u>4,758</u> |
| Weighted average number of ordinary shares in issue | <u>43,701,286</u> | <u>41,858,357</u> |
| Basic (loss)/earnings per ordinary share (sen) | <u>(16.68)</u> | <u>1.25</u> |

(b) Fully diluted (loss)/earnings per ordinary share

Fully diluted (loss)/earnings per ordinary share is calculated by dividing the adjusted (loss)/profit for the year by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The diluted (loss)/earnings per ordinary share of the Group in 2007 has not been presented as the average fair value of the shares of the Group is lower than the exercise price for the exercise of Warrants 2004/2014 to ordinary shares. The effect of this would be anti-dilutive to (loss)/earning per ordinary share.

The diluted (loss)/earnings per ordinary share of the Group in 2006 has not been presented as the average fair value of the shares of the Group is lower than the exercise price for the exercise of ESOS, Warrants 2004/2014 and conversion of the 5.5% ICULS 2002/2007 to ordinary shares. The effect of this would be anti-dilutive to (loss)/earnings per ordinary share.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

11. PROPERTY, PLANT AND EQUIPMENT

The Group

| | Freehold land RM | Warehouse, building and renovations RM | Plant and machinery RM | Tools, equipment and moulds RM | Office and computer equipment, furniture and fittings and air- conditioners RM | Office and computer equipment, furniture and fittings and air- conditioners under hire- purchase RM | Office and computer equipment, furniture and fittings and air- conditioners under lease RM | Motor vehicles RM | Motor vehicles under hire- purchase RM | Total RM |
|--|------------------------|--|------------------------------|--|---|--|--|-------------------------|--|-------------|
| Cost | | | | | | | | | | |
| Balance as of July 1, 2005 | 412,500 | 2,172,158 | 19,649 | 3,619,266 | 12,736,447 | 102,149 | 24,450 | 1,007,529 | 358,376 | 20,452,524 |
| Additions | - | - | 1,800 | - | 91,062 | - | - | - | - | 92,862 |
| Disposals | - | - | - | - | (480,761) | - | - | (59,338) | - | (540,099) |
| Written off | - | (121,000) | - | (391,515) | (631,713) | - | - | (51,847) | - | (1,196,075) |
| Reclassification | - | - | - | - | 24,450 | - | (24,450) | - | - | - |
| Balance as of June 30, 2006/July 1, 2006 | 412,500 | 2,051,158 | 21,449 | 3,227,751 | 11,739,485 | 102,149 | - | 896,344 | 358,376 | 18,809,212 |
| Additions | - | - | - | 18,000 | 66,484 | - | - | - | - | 84,484 |
| Disposals | - | (1,750) | - | (28,169) | (889,927) | - | - | (117,510) | - | (1,037,356) |
| Written off | - | (21,610) | - | (2,392,567) | (1,109,956) | - | - | - | - | (3,524,133) |
| Balance as of June 30, 2007 | 412,500 | 2,027,798 | 21,449 | 825,015 | 9,806,086 | 102,149 | - | 778,834 | 358,376 | 14,332,207 |
| Accumulated Depreciation | | | | | | | | | | |
| Balance as of July 1, 2005 | - | 872,471 | 5,979 | 2,770,330 | 11,230,648 | 82,821 | 5,094 | 1,007,529 | 278,914 | 16,253,786 |
| Charge for the year | - | 90,796 | 2,025 | 247,343 | 566,727 | 5,169 | 2,445 | - | 21,140 | 935,645 |
| Disposals | - | - | - | - | (480,761) | - | - | (59,338) | - | (540,099) |
| Written off | - | (118,475) | - | (391,515) | (631,713) | - | - | (51,847) | - | (1,193,550) |
| Reclassification | - | - | - | - | 7,539 | - | (7,539) | - | - | - |
| Balance as of June 30, 2006/July 1, 2006 | - | 844,792 | 8,004 | 2,626,158 | 10,692,440 | 87,990 | - | 896,344 | 300,054 | 15,455,782 |
| Charge for the year | - | 71,972 | 2,025 | 84,363 | 445,165 | 85 | - | - | 21,140 | 624,750 |
| Disposals | - | (1,750) | - | (24,963) | (877,877) | - | - | (117,510) | - | (1,022,100) |
| Written off | - | (8,644) | - | (2,263,054) | (1,090,065) | - | - | - | - | (3,361,763) |
| Balance as of June 30, 2007 | - | 906,370 | 10,029 | 422,504 | 9,169,663 | 88,075 | - | 778,834 | 321,194 | 11,696,669 |
| Net Book Value | | | | | | | | | | |
| Balance as of June 30, 2007 | 412,500 | 1,121,428 | 11,420 | 402,511 | 636,423 | 14,074 | - | - | 37,182 | 2,635,538 |
| Balance as of June 30, 2006 | 412,500 | 1,206,366 | 13,445 | 601,593 | 1,047,045 | 14,159 | - | - | 58,322 | 3,353,430 |

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

Included under property, plant and equipment of the Group as of June 30, 2007 are fully depreciated assets which are still in use, with costs totalling RM7,714,504 (2006 : RM9,038,278).

The freehold land and warehouse of the Group with a net book value of RM1,456,085 (2006 : RM1,587,404) are charged to certain local banks to secure termed-out loans as mentioned in Note 25.

12. GOODWILL ON CONSOLIDATION

| | The Group | |
|----------------------------------|------------------|--------------------|
| | 2007 RM | 2006 RM |
| Goodwill on Consolidation | | |
| At beginning of year | 4,411,904 | 5,227,404 |
| Goodwill written off | - | (815,500) |
| Effect of adoption of FRS 3 | (2,291,482) | - |
| At end of year | <u>2,120,422</u> | <u>4,411,904</u> |
| Cumulative amortisation | | |
| At beginning of year | (2,291,482) | (2,505,946) |
| Current amortisation | - | (209,096) |
| Amortisation written off | - | 423,560 |
| Effect of adoption of FRS 3 | 2,291,482 | - |
| At end of year | <u>-</u> | <u>(2,291,482)</u> |
| | <u>2,120,422</u> | <u>2,120,422</u> |

In 2006, goodwill arising on consolidation amounting to RM391,940 pertaining to certain subsidiary companies has been written off in the Group financial statements.

13. INVESTMENT IN SUBSIDIARY COMPANIES

| | The Company | |
|-------------------------------------|--------------------|--------------------|
| | 2007 RM | 2006 RM |
| Unquoted shares, at cost | 41,420,922 | 41,420,922 |
| Less: accumulated impairment losses | <u>(7,415,000)</u> | <u>(3,580,000)</u> |
| | <u>34,005,922</u> | <u>37,840,922</u> |

As of June 30, 2007, the carrying value of the Company's investment in unquoted shares of subsidiary companies is in excess of the underlying net tangible assets backing by approximately RM15,235,000 (2006 : RM16,720,000). Based on a review of the underlying assets and profitability of the subsidiary companies, the directors have made an additional allowance for impairment loss amounting to RM3,835,000 (2006: RM1,790,000) in respect of investments in subsidiary companies.

The details of the subsidiary companies, all incorporated in Malaysia, are as follows:

| Subsidiary Companies | Effective Equity Interest 2007 and 2006 | Principal Activities |
|--|--|---|
| AHB Technology Sdn. Bhd. | 100% | Research and development of office interior markets and products and trading of office interior products. |
| AHB Marketing Sdn. Bhd. | 100% | Research and development of office interior markets and products and trading of office interior products. |
| AHB Manufacturing Sdn. Bhd. | 100% | Dormant. |
| Create Space Sdn. Bhd. | 100% | Research and development of office interior markets and products and trading of office interior products. |
| AHB Distribution Sdn. Bhd. (Formerly known as Spacecom Marketing Sdn. Bhd.) | 100% | Research and development of office interior markets and products and trading of office interior products. |
| Prestigious Office Systems Sdn. Bhd.* | 67% | Research and development of office interior markets and products and trading of office interior products. |
| Persistem Sdn. Bhd.* | 51% | Research and development of office interior markets and products and trading of office interior products. |

* Interest held through AHB Marketing Sdn. Bhd.

14. OTHER INVESTMENTS

| | The Group | |
|---|------------|------------|
| | 2007 RM | 2006 RM |
| Quoted shares - At cost | 1,000 | 1,000 |
| Unquoted shares - At cost | - | 50,000 |
| Less: Allowance for diminution in value | - | (25,000) |
| | - | 25,000 |
| | 1,000 | 26,000 |
| Market value of quoted shares | 675 | 850 |

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

15. INTANGIBLE ASSETS

The Group

Cost

Balance as of July 1, 2005/June 30, 2006/ July 1, 2006
Disposals

| | Patents and Trademarks RM | Research and Development RM | Total RM |
|--|---------------------------------|-----------------------------------|-------------|
| Balance as of July 1, 2005/June 30, 2006/ July 1, 2006 | 637,883 | 4,259,926 | 4,897,809 |
| Disposals | (637,883) | - | (637,883) |

Balance as of June 30, 2007

- 4,259,926 4,259,926

Accumulated amortisation

Balance as of July 1, 2005
Charged during the year

| | | | |
|----------------------------|---------|-----------|-----------|
| Balance as of July 1, 2005 | 562,187 | 3,112,668 | 3,674,855 |
| Charged during the year | 33,517 | 450,244 | 483,761 |

Balance as of June 30, 2006/July 1, 2006

Charged during the year

Disposals

| | | | |
|--|-----------|-----------|-----------|
| Balance as of June 30, 2006/July 1, 2006 | 595,704 | 3,562,912 | 4,158,616 |
| Charged during the year | 22,573 | 347,442 | 370,015 |
| Disposals | (618,277) | - | (618,277) |

Balance as of June 30, 2007

- 3,910,354 3,910,354

- 349,572 349,572

16. INVENTORIES

The Group

At cost:

Raw materials

Trading merchandise

Less: Allowance for inventory obsolescence

| | 2007 RM | 2006 RM |
|--|-------------|-------------|
| Raw materials | 988,260 | 1,170,988 |
| Trading merchandise | 9,198,553 | 8,088,775 |
| | 10,186,813 | 9,259,763 |
| Less: Allowance for inventory obsolescence | (1,961,429) | (1,111,429) |
| | 8,225,384 | 8,148,334 |

In 2006, inventories amounting to RM1,818,485 were written off against the allowance for inventory obsolescence .

17. TRADE RECEIVABLES

| | The Group | |
|------------------------------------|-------------------|-------------------|
| | 2007 RM | 2006 RM |
| Trade receivables | 34,119,241 | 32,177,270 |
| Less: Allowance for doubtful debts | (13,643,939) | (8,564,020) |
| | <u>20,475,302</u> | <u>23,613,250</u> |

Trade receivables comprise amounts receivable for the sales of goods. The credit period granted on trade receivables is normally 30 days (2006: 30 days) or contractual periods based on project contract sales. The Group's historical experience in collection of trade receivables falls within the recorded allowances and management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Included in trade receivables is an amount of RM7,930,273 (2006: RM8,158,460) owing by a third party which has been long outstanding. As of June 30, 2007, the Company has made an allowance of RM3,938,524 for possible losses in collection of the said receivable, which amount the management believes is adequate.

Trade receivables amounting to RM782,933 have been written off against allowance for doubtful debts during the financial year.

Analysis of foreign currency exposure profile of trade receivables is as follows:

| | 2007 RM | 2006 RM |
|----------------------|-------------------|-------------------|
| Ringgit Malaysia | 19,982,692 | 21,387,432 |
| United States Dollar | 14,136,549 | 10,789,838 |
| | <u>34,119,241</u> | <u>32,177,270</u> |

18. OTHER RECEIVABLES AND PREPAID EXPENSES

| | The Group | | The Company | |
|-------------------------------------|------------------|------------------|-------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Other receivables | 3,964,715 | 2,751,610 | - | - |
| Less : Allowance for doubtful debts | (1,289,072) | - | - | - |
| | 2,675,643 | 2,751,610 | - | - |
| Refundable deposits | 332,806 | 413,184 | - | - |
| | <u>3,008,449</u> | <u>3,164,794</u> | <u>-</u> | <u>-</u> |

Other receivables arose mainly from amounts receivable from several financial institutions in respect of bank borrowings overpaid in prior years.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

19. INTERCOMPANY TRANSACTIONS

Amount owing by/(to) subsidiary companies arose mainly from management fees charged in prior financial years, advances and payments made on behalf. These amounts are unsecured, interest-free and have no fixed terms of repayment.

The significant outstanding balances owing by/(to) subsidiary companies arising from non-trade transactions are as follows:

| | The Company | |
|--|------------------|------------------|
| | 2007 RM | 2006 RM |
| Subsidiary companies | | |
| Interest-free advances and expenses paid on behalf | 6,207,841 | 6,384,395 |
| Management fee receivable | 104,903 | 104,903 |
| | <u>6,312,744</u> | <u>6,489,300</u> |

20. FIXED DEPOSITS, CASH AND BANK BALANCES

| | The Group | | The Company | |
|------------------------------------|------------------|------------------|--------------|--------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Fixed deposits with licensed banks | 149,328 | 149,042 | 8,982 | 8,696 |
| Cash and bank balances | 1,400,100 | 2,185,228 | 370 | 1,086 |
| | <u>1,549,428</u> | <u>2,334,270</u> | <u>9,352</u> | <u>9,782</u> |

The above fixed deposits earn interest at 2.79% (2006: 2.79%) per annum and have an average maturity of 365 days (2006 : 365 days).

21. SHARE CAPITAL

| | The Group and The Company | |
|---|---------------------------|-------------------|
| | 2007 RM | 2006 RM |
| Authorised: | | |
| 1,000,000,000 ordinary shares of RM1 each | 1,000,000,000 | 1,000,000,000 |
| Issued and fully paid: | | |
| Ordinary shares of RM1 each: | | |
| Balance at beginning of year | 41,858,633 | 41,853,599 |
| Issued during the year: | | |
| Conversions of 5.5% ICULS 2002/2007 | 6,272,765 | 5,034 |
| Balance at end of year | <u>48,131,398</u> | <u>41,858,633</u> |

- (a) During the financial year, the issued and fully paid up share capital of the Company was increased from 41,858,633 ordinary shares of RM1 each to 48,131,398 ordinary shares of RM1 each by way of conversions during the year of RM8,970,055 nominal value of 5.5% Irredeemable Convertible Unsecured Loan Stocks 2002/2007 (ICULS) into 6,272,765 new ordinary shares of RM1 each at a conversion price of RM1.43 per share.

The resulting share premium of RM2,697,290 arising from the above conversions of ICULS has been credited to the share premium account.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company except that these shares are not entitled to any dividends, rights, allotments and/or distributions prior to the allotment of the new shares.

- (b) The Company issued free detachable warrants for the issuance of new ordinary shares through a private placement in 2004 (Warrants 2004/2014). As of June 30, 2007, the outstanding Warrants 2004/2014 totalling 5,228,000 (2006: 5,228,000) have not been exercised.

The salient features of the Warrants are as follows:

- (i) The Warrants shall be issued in registered form and constituted by a Deed Poll to be executed by the Company. The Warrants, which are to be issued with the Placement Shares, are immediately detachable upon allotment and issue of the Placement Shares. The Warrants will be traded separately;
- (ii) Each Warrant carries the entitlement to subscribe for one new ordinary share, at the exercise price at any time during the exercise period, subject to the adjustments in accordance with the provisions of the Deed Poll;
- (iii) The Warrants can be exercised at any time during the period of ten years commencing from and including the date of issue of the Warrants and up to and including the expiry date; and
- (iv) The exercise price shall be determined based on the Securities Commission Guidelines which stipulate that the exercise price can be set at a discount of not more than ten percent from the 5-day weighted average market price of the ordinary shares at a price-fixing date to be determined by the Board or at the par value of the ordinary shares of RM1 whichever is higher. The exercise price will be subject to adjustments in accordance with the terms and provisions of the Deed Poll and shall be satisfied wholly in cash.

The new ordinary shares to be issued upon the exercise of the Warrants 2004/2014 shall, upon allotment and issue, rank pari passu in all respects with the existing issued and fully paid-up ordinary shares except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of the allotment of the new ordinary shares arising from the exercise of the Warrants 2004/2014.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

22. RESERVES

| | The Group | | The Company | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Non-distributable: Share premium | 3,664,610 | 967,320 | 3,664,610 | 967,320 |
| Accumulated loss | (39,722,787) | (32,099,182) | (14,791,950) | (11,214,525) |
| | <u>(36,058,177)</u> | <u>(31,131,862)</u> | <u>(11,127,340)</u> | <u>(10,247,205)</u> |

Share premium

Share premium arose from issuance of shares and conversion of ICULS, net of bonus issue and issue expenses.

23. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

| | The Group and The Company | |
|---------------------------------------|---------------------------|------------------|
| | 2007 RM | 2006 RM |
| Balance at beginning of year | 8,970,055 | 8,977,255 |
| Conversion to share capital (Note 21) | (8,970,055) | (7,200) |
| Balance at end of year | <u>-</u> | <u>8,970,055</u> |

Pursuant to the Trust Deed dated February 27, 2002 and the debt restructuring scheme in 2002, the Company issued RM14,410,000 5.5% Irredeemable Convertible Unsecured Loan Stocks 2002/2007 (ICULS) at a nominal value of RM1 each for the settlement of debts to the Group's unsecured creditors.

The salient features of the ICULS are as follows:

- The ICULS bear interest at 5.5% per annum and is payable semi-annually on June 30 and December 31 of each year;
- The ICULS are convertible into new ordinary shares on the basis of one new ordinary share of RM1 each for every RM1.43 nominal amount of ICULS;
- All new ordinary shares issued upon conversion of the ICULS 2002/2007 shall rank pari passu with the existing ordinary shares of the Company except that these shares are not entitled to any dividends, rights, allotments and/or distributions prior to the allotment of the new shares;
- The ICULS are for a period of five (5) years maturing on March 5, 2007; and
- Unless previously converted, all outstanding ICULS will be mandatorily converted into new ordinary shares of RM1 each at the conversion price on the maturity date.

24. HIRE-PURCHASE PAYABLES

| | The Group | |
|---|----------------|----------------|
| | 2007 RM | 2006 RM |
| Total instalments outstanding | 116,879 | 139,679 |
| Less: Interest-in-suspense | (3,699) | (10,964) |
| | <u>113,180</u> | <u>128,715</u> |
| Principal outstanding | 113,180 | 128,715 |
| Less: Amount due within 12 months (shown under current liabilities) | (107,256) | (108,451) |
| | <u>5,924</u> | <u>20,264</u> |
| Non-current portion | 5,924 | 20,264 |

The non-current portion is repayable as follows:

| | The Group | |
|--------------------|--------------|---------------|
| | 2007 RM | 2006 RM |
| Within 1 - 2 years | 5,924 | 14,340 |
| Within 2 - 5 years | - | 5,924 |
| | <u>5,924</u> | <u>20,264</u> |

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The average term for the hire-purchase is about 3 to 5 years. The interest rate implicit in the hire-purchase obligations is 6.38% (2006: 6.38%) per annum.

The Group's hire-purchase obligations are secured by the financial institutions charge over the assets under hire-purchase.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

25. LONG-TERM LOANS

| | The Group | |
|---|-------------|-------------|
| | 2007 RM | 2006 RM |
| Termed-out loans | 5,774,211 | 6,110,906 |
| Term loans | 1,342,108 | 1,278,273 |
| | <hr/> | <hr/> |
| Total principal outstanding | 7,116,319 | 7,389,179 |
| Less: Amount due within 12 months (shown under bank borrowings) (Note 29) | (5,300,509) | (6,095,118) |
| | <hr/> | <hr/> |
| Non-current portion | 1,815,810 | 1,294,061 |
| | <hr/> <hr/> | <hr/> <hr/> |

The non-current portion is repayable as follows:

| | The Group | |
|---------------------------------|-------------|-------------|
| | 2007 RM | 2006 RM |
| Financial years ending June 30, | | |
| 2008 | - | 1,294,061 |
| 2009 | 1,815,810 | - |
| | <hr/> <hr/> | <hr/> <hr/> |

Subsidiary companies

Pursuant to the implementation and completion of the debt restructuring scheme in prior years, an amount of RM6,839,500 of term loans is termed-out. This termed-out loan bears interest at rates 1.0% above the base lending rate or 1.5% above the cost of funds per annum and is repayable in twelve (12) equal quarterly instalments of RM569,958 each commencing in February 2004.

A subsidiary company obtained additional long-term loans from two local banks which bear interest at 7.40% (2006: 7.40%) per annum. These term loans are repayable in twenty (20) quarterly instalments of RM208,333 and RM125,000 each commencing in August, 2003 and September, 2003 respectively.

The termed-out loans are secured by a first legal charge over the freehold land and warehouse of the said subsidiary company as mentioned in Note 11 and a corporate guarantee from the Company. The terms loans are secured by a third party legal charge over a piece of industrial land and building registered in the names of a director and a close family member of certain directors of the Company.

All term loans obtained by the subsidiary companies are denominated in Ringgit Malaysia.

During the previous financial year, a subsidiary company has defaulted on its repayments in respect of two secured termed-out loans obtained from two local banks which have initiated legal actions against the Company and the subsidiary company. During the current financial year, the Company and the subsidiary company fully settled the outstanding amount, including interest of one of the termed-out loans and consequently, one of the banks discontinued its legal actions against the Company and the subsidiary company. The said subsidiary company has also reached an agreement with the other bank subsequent to the financial year end to reschedule the repayment of another termed-out loan by way of a monthly instalment payment of RM79,000 commencing July 20, 2007.

Also, subsequent to the financial year end, the said subsidiary company has reached an agreement with another bank for the rescheduling of the repayment of another termed-out loan. The principal amount outstanding, including interest, shall be repayable by way of a monthly instalment of RM40,000 commencing October 31, 2007. The subsidiary company is also obligated to dispose of its freehold land and warehouse in the next 12 months as a condition of acceptance of the rescheduling of the said termed-out loan by the bank.

26. DEFERRED TAX LIABILITY

| | The Group | |
|--------------------------------------|------------|------------|
| | 2007 RM | 2006 RM |
| Balance at beginning and end of year | 4,700 | 4,700 |

The deferred tax liability is in respect of the tax effects of the following:

| | The Group | |
|---|--------------------------------|------------|
| | Deferred Tax Liability/(Asset) | |
| | 2007 RM | 2006 RM |
| Temporary differences arising from property, plant and equipment | 10,800 | 10,800 |
| Others | (6,100) | (6,100) |
| Net deferred tax liability | 4,700 | 4,700 |

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of June 30, 2007, the amount of net deferred tax assets, pertaining to the Company and certain subsidiary companies calculated at the current tax rate which has not been recognised in the financial statements due to uncertainty of its realisation, is as follows:

| | The Group | |
|-------------------------------------|-----------------------------------|------------|
| | Deferred Tax Assets/(Liabilities) | |
| | 2007 RM | 2006 RM |
| Tax effects of: | | |
| Temporary differences arising from: | | |
| Property, plant and equipment | (193,000) | (286,000) |
| Inventories | 510,000 | 300,000 |
| Receivables | 3,873,500 | 1,397,000 |
| Other investments | - | 7,000 |
| Unused tax losses | 8,409,800 | 9,297,000 |
| Unabsorbed capital allowances | 29,800 | 24,900 |
| Net deferred tax assets | 12,630,100 | 10,739,900 |

The availability of unused tax losses and unabsorbed capital allowances, which are subject to agreement by the tax authorities, for off-setting against future chargeable income of the Company is subject to no substantial changes in shareholdings of the Company under Section 44(5A) and (5B) of Income Tax Act, 1967.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period granted to the Group for trade payables is 30 to 100 (2006: 30 to 100 days).

Analysis of foreign currency exposure profile of trade payables is as follows:

| | The Group | |
|----------------------|----------------|------------------|
| | 2007 RM | 2006 RM |
| Ringgit Malaysia | 853,264 | 365,913 |
| Singapore Dollar | 143,318 | 266,151 |
| United States Dollar | - | 365,511 |
| Japanese Yen | - | 142,228 |
| | <u>996,582</u> | <u>1,139,803</u> |

Other payables and accrued expenses consist of the following:

| | The Group | | The Company | |
|------------------|-------------------|-------------------|----------------|------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Other payables | 13,267,036 | 11,083,160 | - | - |
| Accrued expenses | 2,004,027 | 1,460,459 | 767,060 | 1,378,247 |
| | <u>15,271,063</u> | <u>12,543,619</u> | <u>767,060</u> | <u>1,378,247</u> |

Included in other payables as of June 30, 2007 is an amount of RM10,957,498 (2006: RM10,957,498) owing to a former associated company arising from trade transactions in prior financial years. Pursuant to a settlement agreement entered into with the said former associated company in 2005, the aforesaid amount was to be repayable in four instalments of RM2,000,000 on or before November 30, 2005, RM4,000,000 on or before December 31, 2005, RM3,000,000 on or before June 30, 2006 and the balance of RM1,253,336 on or before December 31, 2006. Any amount still outstanding after December 31, 2006 bears interest at 6.375% per annum. During the financial year, no payment has been made by the Group towards the said settlement agreement as the directors are negotiating with the former associated company to defer the repayments.

Accrued expenses of the Group and Company in 2007 and 2006 comprise mainly accrued loan interest.

28. AMOUNT OWING TO DIRECTORS

Amount owing to directors arose from fees payable to the directors of the Company.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

29. BANK BORROWINGS

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Long-term loans - current portion (Note 25) | 5,300,509 | 6,095,118 | - | - |
| Bank overdrafts (Note 30) | 119,245 | 165,942 | - | - |
| Trust receipts | 2,421,178 | 2,138,550 | 2,421,178 | 2,138,550 |
| | <u>7,840,932</u> | <u>8,399,610</u> | <u>2,421,178</u> | <u>2,138,550</u> |

The Company has credit facilities totalling RM6,300,000 (2006: RM6,300,000) obtained from a local bank. This facility is secured by inward letter of credit and irrevocable letter of instruction from the Company to customer to make payment into escrow account of the Company maintained with the bank.

A subsidiary company has bank overdrafts and other credit facilities totalling RM175,000 (2006: RM175,000) obtained from certain local banks. These facilities are guaranteed by certain directors of the subsidiary company and the Company.

The short-term borrowings of the Group and of the Company bear interest at 2% (2006: 2%) per annum above the banks' base lending rate.

The above bank borrowings utilised are denominated in Ringgit Malaysia.

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

| | The Group | | The Company | |
|------------------------------------|------------------|------------------|--------------|--------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Cash and bank balances | 1,400,100 | 2,185,228 | 370 | 1,086 |
| Fixed deposits with licensed banks | 149,328 | 149,042 | 8,982 | 8,696 |
| Bank overdrafts (Note 29) | (119,245) | (165,942) | - | - |
| | <u>1,430,183</u> | <u>2,168,328</u> | <u>9,352</u> | <u>9,782</u> |

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

(i) Foreign currency risk

The Group has undertaken trade transactions with its foreign customers/suppliers, operating outside of Malaysia, where the amounts owing by/(to) are exposed to currency translation risks as disclosed in Notes 17 and 27.

(ii) Interest rate risk

The Group's significant interest bearing financial assets and financial liabilities are mainly its deposit placements, bank overdrafts, trust receipts and also its long term debt obligation comprising term loans. The deposit placements and short-term borrowings as at balance sheet date, which bear interest at 2.79% (2006 : 2.79%) and 2.0% (2006: 2.0%) per annum, are short-term and therefore their exposure to the effects of future changes in prevailing level of interest rates is limited.

The term loans of the Group as of June 30, 2007 are fixed rate financial liabilities as disclosed in Note 25.

(iii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history. The Group also ensures a large customer base so as to limit high credit concentration in a single customer or customers from a particular market.

The Group's exposure to credit risk in relation to its trade receivables, should all its customers fail to perform their obligations as of June 30, 2007, is the carrying amount of these receivables as disclosed in the balance sheet.

(iv) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's and the Company's principal financial assets are fixed deposits, cash and bank balances, trade and other receivables and amounts owing by subsidiary companies.

Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. Financial liabilities of the Group and the Company include trade and other payables, amount owing to subsidiary companies, amount owing to directors, bank borrowings, term loans and hire-purchase obligations.

Fair Values

The fair values of the financial assets and financial liabilities reported in the balance sheet approximate the carrying amounts of those assets and liabilities because of the immediate or short-term maturity of these financial instruments, except as follows:

| | 2007 | | 2006 | |
|---------------------------|-----------------------|------------------|-----------------------|------------------|
| | Carrying Amount RM | Fair Value RM | Carrying Amount RM | Fair Value RM |
| Hire-purchase obligations | 113,180 | 112,825 | 128,715 | 127,165 |
| Term loans | <u>7,116,319</u> | <u>6,970,219</u> | <u>7,389,179</u> | <u>7,303,366</u> |

The fair values of the hire-purchase obligations and term loans of the Group are estimated using the discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Cash and cash equivalents, trade and other receivables, inter-company indebtedness, trade and other payables and bank borrowings

The fair values of these financial instruments approximate their carrying amounts due to the short maturities of these instruments.

32. SEGMENTAL INFORMATION

The Group operates predominantly in Malaysia and is principally involved in the trading of drafting equipment, office furniture and specialised computer furniture. Accordingly, the directors are of the opinion that financial information by industry and geographical segment is not necessary to be presented.

33. EMPLOYEES SHARE OPTION SCHEME

Pursuant to the Company's Employees Share Option Scheme (ESOS) which became effective on June 10, 2002, the granting and exercise of options to subscribe for up to ten per centum (10%) of the issued and paid up share capital of the Company are made available to eligible directors and employees of the Group.

The salient features of the ESOS are as follows:

- (i) eligible employees are those who have been confirmed in writing as employees of the Group and be at least eighteen (18) years of age at the date of offer;
- (ii) the option is personal to the grantee and is non-assignable;
- (iii) the option price shall be determined by the Board upon the recommendation of the ESOS Committee which may be at a discount of not more than ten per centum (10%) to the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the date of the offer or the par value of the shares of the Company, whichever is higher;
- (iv) the options granted may be exercised at anytime within a period of five (5) years from the date of offer; and
- (v) the options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of one thousand (1,000) option shares.

The ESOS expired on June 9, 2007 and the Company has not offered any options to its eligible directors and employees during the financial year.

NOTES TO FINANCIAL STATEMENTS (cont.)

AHB HOLDINGS BERHAD

34. PROFIT GUARANTEE

Pursuant to the listing of the Company on the Second Board of Bursa Malaysia Securities Berhad on May 21, 1996 and the subsequent revision of the profit guarantee agreement approved by the shareholders at an extraordinary general meeting on September 29, 1998, the guarantors, namely Yong Yoke Keong, Yong Chew Keat and Iskandar Holdings Sdn. Bhd., (collectively, referred to as the Guarantors), had provided a guarantee that the consolidated profits before tax of the Company of RM15,960,600 shall be achieved over a period of five (5) years commencing from the financial year ended June 30, 1998 to 2002. As at June 30, 2002, the shortfall in the profit guarantee amounted to RM15,960,000.

In this connection, the guarantors acknowledged their liabilities in relation to the above profit guarantee have crystallised and intend to fully discharge their obligations. Accordingly, on November 3, 2003, the Company announced a proposed compensation by the Guarantors for the abovementioned shortfall in profit guarantee involving the following proposals:

- (i) Proposed restricted issue of up to 19.670 million five (5) year warrants (Warrants) on a non-renounceable basis to the shareholders of the Company other than the Guarantors and/or person connected to the Guarantors (Entitled Shareholders) at a date to be determined later; and
- (ii) Proposed offer by the Guarantors to purchase the Warrants from the Entitled Shareholders after the listing of the Warrants on Bursa Malaysia Securities Berhad.

(Collectively, referred to as the Proposed Settlement)

On January 21, 2004, the Company submitted the applications on the Proposed Settlement to the relevant authorities which have given their conditional approval to the Proposed Settlement vide their letter dated December 9, 2005.

The Securities Commission (referred to as the SC) vide its letter dated December 20, 2005 approved the Company's application for an extension of time until June 7, 2006 to complete the Proposed Settlement. Subsequently, an application was made on June 6, 2006 for an extension of time for a further six (6) months to December 7, 2006.

The SC vide its letter dated 13 August 2006 did not approve the application for the extension of time. The directors are continuing to deliberate on the next course of action in relation to the Proposed Settlement and understand that the Guarantors are exploring various options to arrive at a solution to the Proposed Settlement and will keep the SC informed accordingly.

Subsequently, the Board of Directors has been in active discussions within the Board, and with the management and also with third parties to arrive at a resolution of this matter. There have been various discussions with SC in finding the best way to resolve this matter.

35. CONTINGENT LIABILITIES

As of June 30, 2007, the Company has issued secured corporate guarantees to a local licensed banks for term loan and other banking facilities totalling RM2,944,000 (2006: RM2,944,000) granted to a subsidiary companies. Accordingly, the Company is contingently liable to the extent of term loan and other banking facilities utilised by the said subsidiary companies.

STATEMENT BY DIRECTORS

AHB HOLDINGS BERHAD

The directors of **AHB HOLDINGS BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of June 30, 2007 and of the results of the businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the directors,

YONG YOKE KEONG

YONG CHEW KEAT

Kuala Lumpur,
October 30, 2007 except for Note 7 to the Financial Statements as to which the date is November 6, 2007.

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **YONG YOKE KEONG**, the director primarily responsible for the financial management of **AHB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

YONG YOKE KEONG

Subscribed and solemnly declared by the abovenamed **YONG YOKE KEONG** at **KUALA LUMPUR** this 30th day of October, 2007 except for Note 7 to the Financial Statements as to which the date is November 6, 2007.

Before me,

COMMISSIONER FOR OATHS

LIST OF PROPERTIES

AHB HOLDINGS BERHAD

| Location | Tenure | Description | Land Area (Sq. Ft.) | Net Bookas at 30 June 2006 (RM'000) | Age of Building |
|---|----------|--|---------------------|-------------------------------------|-----------------|
| Lot 1835 Jalan Maktab, 43300 Seri Kembangan Selangor Darul Ehsan | Freehold | Industrial land erected with a factory building | 53,088 | 1,456 | 20 years |

STATISTICS OF SHAREHOLDINGS AS AT 1 NOVEMBER 2007

| | |
|-----------------------------------|--------------------------------|
| Authorised Share Capital: | RM1,000,000,000.00 |
| Issued and Fully Paid-up Capital: | RM48,131,398.00 |
| Class of Shares: | Ordinary Shares of RM1.00 each |
| Voting Rights: | 1 vote per Ordinary Share |

ANALYSIS OF SHAREHOLDINGS AS AT 1 NOVEMBER 2007

| <u>NO. OF HOLDERS</u> | <u>SIZE OF HOLDINGS</u> | <u>TOTAL HOLDINGS</u> | <u>PERCENTAGE %</u> |
|-----------------------|--------------------------|-----------------------|---------------------|
| 31 | 1 - 99 | 1,451 | 0.003 |
| 168 | 100 - 1,000 | 123,058 | 0.255 |
| 1,177 | 1,001 - 10,000 | 4,395,883 | 9.133 |
| 302 | 10,001 - 100,000 | 9,089,762 | 18.885 |
| 50 | 100,001 - 2,406,568 (*) | 25,691,164 | 53.377 |
| 3 | 2,406,569 and above (**) | 8,830,080 | 18.345 |
| <u>1,731</u> | | <u>48,131,398</u> | <u>100.00</u> |

* Less than 5% of issued shares

** 5% and above of issued shares

TOP 30 SHAREHOLDERS AS AT 1 NOVEMBER 2007

| <u>No.</u> | <u>Name of Shareholders</u> | <u>Number of Shares Held</u> | <u>Percentage (%)</u> |
|------------|---|------------------------------|-----------------------|
| 1. | AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR YONG YOKE KEONG | 3,864,000 | 8.028 |
| 2. | ISKANDAR HOLDINGS SDN BHD | 2,513,280 | 5.221 |
| 3. | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG YOKE KEONG (4966 JTRK) | 2,452,800 | 5.096 |
| 4. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE MERCHANT NOMINEES (TEMPATAN) SDN BHD FOR YONG YOKE KEONG (STAKEHOLDERS) | 2,184,432 | 4.538 |
| 5. | HO CHU CHAI | 1,905,500 | 3.958 |
| 6. | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR YONG YOKE KEONG (01-00187-000) | 1,635,000 | 3.396 |

STATISTICS OF SHAREHOLDINGS AS AT 1 NOVEMBER 2007 (cont.)

AHB HOLDINGS BERHAD

TOP 30 SHAREHOLDERS AS AT 1 NOVEMBER 2007

| <u>No.</u> | <u>Name of Shareholders</u> | <u>Number of Shares Held</u> | <u>Percentage (%)</u> |
|------------|---|------------------------------|-----------------------|
| 7. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND | 1,558,600 | 3.238 |
| 8. | ABB NOMINEE (TEMPATAN) SDN BHD AFFIN BANK BERHAD (LOAN RECOVERY) | 1,406,849 | 2.922 |
| 9. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE MERCHANT NOMINEES (TEMPATAN) SDN BHD FOR YONG CHEW KEAT (STAKEHOLDERS) | 1,297,068 | 2.694 |
| 10. | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEW KEAT (4966 JTRK) | 1,051,200 | 2.184 |
| 11. | JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN | 1,039,053 | 2.158 |
| 12. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE MERCHANT NOMINEES (TEMPATAN) SDN BHD FOR ESPRIWASA SDN BHD (STAKEHOLDERS) | 994,560 | 2.066 |
| 13. | CHENG KWAI LAN | 885,298 | 1.839 |
| 14. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE MERCHANT NOMINEES (TEMPATAN) SDN BHD FOR ISKANDAR HOLDINGS SDN BHD (STAKEHOLDERS) | 781,440 | 1.623 |
| 15. | T-PROPS (MALAYSIA) SDN BHD | 741,150 | 1.539 |
| 16. | CIMB BANK BERHAD | 693,348 | 1.440 |
| 17. | THAVRON ASSOCIATES LIMITED | 627,200 | 1.303 |
| 18. | SAW SAU KIN | 600,000 | 1.246 |
| 19. | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PHEIM EMERGING COMPANIES BALANCED FUND (4033) | 587,900 | 1.221 |
| 20. | MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEW KEAT | 581,502 | 1.208 |
| 21. | AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUNG CHEE YANG (CHU0328C) | 503,000 | 1.045 |
| 22. | HO CHOO ING | 497,100 | 1.032 |
| 23. | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR FORTIS BANQUE LUXEMBOURG (OPCVM A/C) | 478,700 | 0.994 |
| 24. | LEADER DEBUT SDN BHD | 439,000 | 0.912 |
| 25. | TRIDENT TARGET SDN BHD | 439,000 | 0.912 |
| 26. | HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR FIVECA HOLDINGS LIMITED | 340,000 | 0.706 |
| 27. | YAT SENG CONSTRUCTION SDN BHD | 300,000 | 0.623 |
| 28. | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHEE BENG (E-PPG) | 235,100 | 0.488 |
| 29. | JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO SIEW LAI (MARGIN) | 210,834 | 0.438 |
| 30. | CHUA CHIN HO | 186,700 | 0.387 |

STATISTICS OF SHAREHOLDINGS AS AT 1 NOVEMBER 2007 (cont.)

AHB HOLDINGS BERHAD

ANALYSIS OF WARRANTS HOLDINGS AS AT 1 NOVEMBER 2007

| <u>NO. OF HOLDERS</u> | <u>SIZE OF HOLDINGS</u> | <u>TOTAL HOLDINGS</u> | <u>PERCENTAGE %</u> |
|-----------------------|-------------------------|-----------------------|---------------------|
| 0 | 1-99 | 0 | 0.000 |
| 78 | 100-1,000 | 8,700 | 0.166 |
| 4 | 1,001-10,000 | 11,300 | 0.216 |
| 0 | 10,001-100,000 | 0 | 0.000 |
| 0 | 100,001-261,399 (*) | 0 | 0.000 |
| 5 | 261,400 and above (**) | 5,208,000 | 99.617 |
| <u>87</u> | | <u>5,228,000</u> | <u>100.00</u> |

* Less than 5% of issued warrants

** 5% and above of issued warrants

TOP 30 WARRANTS HOLDERS AS AT 1 NOVEMBER 2007

| <u>No.</u> | <u>Name of Warrant Holders</u> | <u>Number Warrants of Held</u> | <u>Percentage (%)</u> |
|------------|--|--------------------------------|-----------------------|
| 1. | T-PROPS (MALAYSIA) SDN BHD | 1,568,400 | 30.000 |
| 2. | LEADER DEBUT SDN BHD | 1,139,000 | 21.786 |
| 3. | TRIDENT TARGET SDN BHD | 1,139,000 | 21.786 |
| 4. | THAVRON ASSOCIATES LIMITED | 631,600 | 12.081 |
| 5. | JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN | 480,000 | 9.181 |
| 6. | THAVRON ASSOCIATES LIMITED | 250,000 | 4.781 |
| 7. | GINA GAN | 5,000 | 0.095 |
| 8. | TRADE PIONEER LIMITED | 3,100 | 0.059 |
| 9. | GOH ENG HOO | 2,100 | 0.040 |
| 10. | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHEE BENG (E-PPG) | 1,100 | 0.021 |
| 11. | CHOW HENG LIU | 1,000 | 0.019 |
| 12. | ALBERT LEE WAY LEONG | 100 | 0.001 |
| 13. | ANG YOOK CHU @ ANG YOKE FONG | 100 | 0.001 |
| 14. | AW TAI-JAK | 100 | 0.001 |
| 15. | BERNICE LOW SUE LYN | 100 | 0.001 |
| 16. | CHIA AH MOY @ CHIA CHEE ENG | 100 | 0.001 |
| 17. | CHIANG HENG GIN | 100 | 0.001 |
| 18. | CHONG FATT CHOY | 100 | 0.001 |
| 19. | CHONG KOK YUEN | 100 | 0.001 |
| 20. | CHONG WAH PLASTICS SDN BHD | 100 | 0.001 |
| 21. | CHONG WAI LING | 100 | 0.001 |

STATISTICS OF SHAREHOLDINGS AS AT 1 NOVEMBER 2007 (cont.)

AHB HOLDINGS BERHAD

TOP 30 WARRANTS HOLDERS AS AT 1 NOVEMBER 2007

| No. | Name of Warrant Holders | Number Warrants of Held | Percentage (%) |
|-----|-----------------------------------|-------------------------|----------------|
| 22. | CHOO WOON KIET | 100 | 0.001 |
| 23. | CHOY WEE HERNG | 100 | 0.001 |
| 24. | CHOY YOT FAH | 100 | 0.001 |
| 25. | CHUA YEE PING | 100 | 0.001 |
| 26. | FAREEA MA CH'ING | 100 | 0.001 |
| 27. | FOAM-PACKAGING INDUSTRIES SDN BHD | 100 | 0.001 |
| 28. | FOK LAI CHING | 100 | 0.001 |
| 29. | FONG YAW LAN | 100 | 0.001 |
| 30. | FOO SAY KEOW | 100 | 0.001 |

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 1 NOVEMBER 2007

| Name of Directors | — Direct — | | — Indirect — | |
|-----------------------|-----------------------------|-------|-----------------------------|------|
| | No. of Ordinary Shares held | % | No. of Ordinary Shares Held | % |
| Mirzan Mahathir | - | - | 3,294,720 * | 6.85 |
| Yong Yoke Keong | 10,150,269 | 21.09 | - | - |
| Yong Chew Keat | 2,929,770 | 6.09 | - | - |
| Lim Chee Hoong | - | - | - | - |
| Danny Ng Siew L'Leong | - | - | - | - |

* Deemed interest by virtue of his interest in Iskandar Holdings Sdn Bhd

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 1 NOVEMBER 2007

| Name of Substantial Shareholders | — Direct — | | — Indirect — | |
|----------------------------------|-----------------------------|-------|-----------------------------|------|
| | No. of Ordinary Shares held | % | No. of Ordinary Shares Held | % |
| Yong Yoke Keong | 10,150,269 | 21.09 | - | - |
| Iskandar Holdings Sdn Bhd | 3,294,720 | 6.85 | - | - |
| Mirzan Mahathir | - | - | 3,294,720 * | 6.85 |
| Yong Chew Keat | 2,929,770 | 6.09 | - | - |

* Deemed interest by virtue of his interest in Iskandar Holdings Sdn Bhd

Notice of Fourteenth Annual General Meeting

AHB HOLDINGS BERHAD

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at Windows on KL 2, Level 30, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 27 December, 2007 at 3.30 p.m.

AGENDA

| ORDINARY BUSINESS | | |
|--------------------------|---|--|
| 1. | To receive the Audited Financial Statements of the Company for the year ended 30 June 2007 and the Directors' and Auditors' Reports thereon. | Resolution 1 |
| 2. | To consider the re-election of Yong Chew Keat, the Director retiring pursuant to Article 85 of the Company's Articles of Association, who being eligible, did not offer himself for re-election | Resolution 2 |
| 3. | To re-elect the following Directors who retire pursuant to Article 92 of the Company's Articles of Association: 3.1 Lim Chee Hoong 3.2 Danny Ng Siew L'Leong | Resolution 3 Resolution 4 |
| 4. | To re-appoint Messrs Deloitte KassimChan as the Company's Auditors and to authorise the Directors to fix their remuneration. | Resolution 5 |
| SPECIAL BUSINESS | | |
| 5. | To consider and if thought fit, pass the following Ordinary Resolution:- Payment of Directors' Fees "THAT the payment of Directors' fees totalling RM58,000.00 in respect of the financial year ended 30 June 2007 be and is hereby approved." | Resolution 6 |
| 6. | To consider and if thought fit, pass the following Ordinary Resolution:- Authority for Directors to Issue Shares "THAT subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue new shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." | Resolution 7 |
| 7. | To consider and if thought fit, pass the following Special Resolution:- Proposed Amendments to the Articles of Association "That the deletion, alterations, modifications, variations and additions to the Articles of Association of the Company, more particularly set out in Appendix I attached to the 2007 Annual Report, be and is hereby approved." | Resolution 8 |
| 8. | To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965. | |

Notice of Fourteenth Annual General Meeting (cont.)

AHB HOLDINGS BERHAD

BY ORDER OF THE BOARD
YEOH CHONG KEAT (MIA 2736)
Secretary

4 December 2007
Kuala Lumpur

Notes:

- (i) *A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
- (ii) *A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints more than one (1) proxy to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.*
- (iii) *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- (iv) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*
- (v) *The instrument of a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof shall be deposited at the Registered Office of the Company situated at Suite 11.1A, Level 11, Menara Weld, 76, Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time set for the holding of this meeting or at any adjournment thereof.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 6 - Payment of Directors' Fees

This Ordinary Resolution, if passed, will authorise the payment of Directors' fees to the Directors of the Company for their services rendered during the financial year ended 30 June 2007.

Resolution 7 - Authority for Directors to Issue Shares

This Ordinary Resolution, if passed, will allow the Directors of the Company to issue and allot shares upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company at the time of issue. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Resolution 8 - Proposed Amendments to the Articles of Association

The Proposed Amendments to the Company's Articles of Association is in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

AHB HOLDINGS BERHAD

1. Directors standing for re-election at the Fourteenth Annual General Meeting of the Company

Director retiring in accordance with Article 85 of the Company's Articles of Association:-

- (a) Yong Chew Keat
(Yong Chew Keat, although eligible for re-election, did not offer himself for re-election)

Directors retiring in accordance with Article 92 of the Company's Articles of Association:-

- (a) Lim Chee Hoong
- (b) Danny Ng Siew L'Leong

The details of the above Directors standing for re-election are set out in their respective profiles on page 5 of this Annual Report. Their securities holdings in the Company are set out on page 57 of this Annual Report.

2. Details of attendance of Directors at Board of Directors' Meetings

There were five (5) Board of Directors' Meetings held during the financial year ended 30 June 2007. Details of attendance of the Directors are set out on page 8 of this Annual Report.

3. Details of the place, date and time of the Fourteenth Annual General Meeting

Details of the place, date and time of the Fourteenth Annual General Meeting are as follows:-

| <u>Date</u> | <u>Time</u> | <u>Place</u> |
|----------------------------|-------------|--|
| Thursday, 27 December 2007 | 3.30 p.m. | Windows on KL 2, Level 30, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur. |

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

| Article No. | Existing Provisions | | Proposed Amendments | |
|-------------|-----------------------|---|-----------------------|--|
| | Words | Meanings | Words | Meanings |
| 2 | Approved market place | A stock exchange which is specified to be an approved Market Place in the Securities Industry (Central Depositories) (Exemption) (No. 2) Order 1998. | Approved market place | Deleted in entirety. |
| | Listing Requirements | Listing Requirements of the Kuala Lumpur Stock Exchange including any amendments thereto that may be made from time to time. | Listing Requirements | Listing Requirements of Bursa Malaysia Securities Berhad including any amendments thereto that may be made from time to time. |
| | The Stock Exchange | The Kuala Lumpur Stock Exchange. | The Stock Exchange | Bursa Malaysia Securities Berhad. |
| | Market Days | Any day between Mondays and Fridays which is not a Stock Exchange holiday or Public holiday. | Market Days | The days on which the stock market of the Stock Exchange are open for trading in securities. |
| | Member or Members | Any person/persons for the time being holding shares/ securities in the Company and whose names appear in the Register of Members (except the Malaysian Central Depository Nominees Sdn. Bhd.) including depositors whose names appear on the Record of Depositors. | Member or Members | A Depositor who shall be treated as if he were a member pursuant to section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Depository in its capacity as a bare trustee. |
| | Central Depository | Malaysian Central Depository Sdn. Bhd. | Central Depository | Bursa Malaysia Depository Sdn. Bhd. |

| Article No. | Existing Provisions | | Proposed Amendments | |
|--------------|---------------------|--|---|--|
| | Words | Meanings | Words | Meanings |
| 2 (cont.) | Depositor | A holder of a securities account. | Depositor | A holder of a securities account established by the Depository. |
| | Deposited Security | A security standing to the credit of a securities account and includes securities in a Securities Account that is in suspense. | Deposited Security | Shall have the meaning given in section 2 of the Securities Industry (Central Depositories) Act 1991. |
| | Rules | The Rules of the Central Depository and any appendices thereto. | Rules | Shall have the meaning given in section 2 of the Securities Industry (Central Depositories) Act 1991. |
| | Securities Account | An account established by the Central Depository of a Depositor for the recording of deposit or withdrawal of securities and for dealings in such securities by the Depositor. | Securities Account | An account established by the Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor. |
| | | | <p><i>Note:</i> The terms "Central Depository" and "Rules" wherever appear in the Company's Articles of Association shall be replaced with the terms "Depository" and "Rules of the Depository" respectively.</p> | |
| | 6 | Issue of shares to Directors (b) No Director shall participate in an issue of shares to employees unless shareholders in general meeting have approved of the specific allotment to be | | Issue of shares to Directors (b) No Director shall participate in an issue of shares, whether pursuant to a public offer or a public issue or options to employees of the Company unless the |

| Article No. | Existing Provisions | Proposed Amendments |
|--------------|--|---|
| 6 (cont.) | made to such Director and unless he holds office in an executive capacity PROVIDED ALWAYS that a Director not holding office in an executive capacity may participate in an issue of shares pursuant to a public issue or public offer; | shareholders in general meeting have approved of the specific allotment to be made to such Director; |
| 33 | <p>Closing of register</p> <p>The transfer books and Register of Members and register of debenture holders (in respect of non-deposited securities) may on due notice being given as required by the Act and the Stock Exchange be closed during such time or times as the Directors think fit, not exceeding in the whole thirty (30) days in each year. The Company may require the Central Depository to suspend the trading of shares that are deposited securities at such time and for such periods as the Directors may from time to time determine.</p> | <p>Closing of register</p> <p>The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole thirty (30) days in any year. <u>In fixing the books closure date, at least ten (10) clear Market Days' notice or such other notice period as may be prescribed by the Stock Exchange, of intention to close the said register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Stock Exchange. The said notice shall state the purpose or purposes for which the register is being closed. At least three (3) Market Days prior notice shall be given to the Depository to prepare the appropriate Record of Depositors Provided that where the Record of Depositors is required in respect of corporate actions at least seven (7) Market Days prior notice shall be given to the Depository or such other notice period in accordance with the Rules of the Depository to enable the Depository to issue the appropriate Record of Depositors.</u></p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|---|---|
| 37 | <p>Transmission of securities from the Foreign Register</p> <p>(1) Where -</p> <p>(a) the securities of the Company are listed on an Approved Market Place; and</p> <p>(b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,</p> <p>the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register") to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.</p> <p>(2) For the avoidance of doubt, notwithstanding that the Company fulfils the requirements of subparagraphs (1)(a) and (b) above, the Company shall not allow any transmission of securities from the Malaysian Register into the Foreign Register.</p> | <p>Transmission of securities from the Foreign Register</p> <p>(1) Where -</p> <p>(a) the securities of the Company are listed on <u>another stock exchange</u>; and</p> <p>(b) the Company is exempted from compliance with Section 14 of the <u>Central Depositories Act</u> or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the <u>Rules of the Depository</u> in respect of such securities,</p> <p>the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the <u>other stock exchange</u>, to the register of holders maintained by the registrar of the Company in Malaysia <u>and vice versa</u> provided that there shall be no change in the ownership of such securities.</p> <p>(2) Deleted in entirety.</p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|--|---|
| 52 | <p>Waiver of convening Extraordinary General Meeting Notwithstanding Article 51 above, but subject always to the Act, the Company may apply to the Exchange upon which the Company is listed for waiver of convening Extraordinary General Meetings to obtain shareholders' approval for further issues of shares (other than bonus or rights issues) where in accordance with the provisions of Section 132D of the Act, there is still in effect, a resolution approving the issuance of shares by the Company and the aggregate issues of which in any one financial year do not exceed ten percent (10%) of the issued share capital of the Company (other than by way of bonus or rights issue).</p> | <p>Waiver of convening Extraordinary General Meeting Deleted in entirety.</p> |
| 54 | <p>Power to alter capital The Company may by ordinary resolution:- (b) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares and;</p> | <p>Power to alter capital The Company may by ordinary resolution:- (b) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and the listing requirements of the Stock Exchange from time to time and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares and;</p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|---|---|
| 60 | <p>Notice of meeting (1) Subject to the provisions of the Act relating to special resolutions and agreements for shorter notice, 14 days' notice at the least, or 21 days' notice at the least where any special resolution is to be proposed or where it is an annual general meeting (exclusive of the day on which the notice is served or deemed to be served, and the day for which notice is given) specifying the place, the day and the hour of meeting and in case of special business, the general nature of that business accompanied by a statement regarding the effect of any proposed resolutions in respect of any such special business shall be given to such persons as are entitled to receive these notices from the Company, as provided for in these Articles and the provisions of the Central Depositories Act and the Rules, and by advertisement in the daily press and in writing to each Stock Exchange upon which the Company is listed.</p> | <p>Notice of meeting (1) The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any Special Resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any Special Resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the company is listed.</p> |
| 61 | <p>General Meeting Record of Depositors (2) The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at a date not less than three (3) market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").</p> | <p>General Meeting Record of Depositors (2) The Company shall also request the Depository in accordance with the Rules of the Depository, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall be in any event be not less than three (3) Market Days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").</p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|---|---|
| 66 | <p>No business unless quorum is present All business shall be special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance-sheet, and the report of the Directors and auditors, the election of Directors in the place of those retiring and the appointment and fixing of the remuneration of the auditors. Three (3) members present in person or by proxy shall be a quorum for a general meeting and no business shall be transacted at any general meeting unless the requisite quorum is present at the commencement of the business.</p> | <p>No business unless quorum is present All business shall be special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance-sheet, and the report of the Directors and auditors, the election of Directors in the place of those retiring, the consideration of Directors' fees and the appointment and fixing of the remuneration of the auditors. Three (3) members present in person or by proxy shall be a quorum for a general meeting and no business shall be transacted at any general meeting unless the requisite quorum is present at the commencement of the business.</p> |
| 74 | <p>How votes may be given and who can act as proxy Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members, each member is entitled to vote in person or by proxy or in the case of a corporation by a representative duly authorized. On a show of hands every member present in person or by proxy or by a duly authorized representative shall have one vote and upon a poll every member present in person or by proxy or by a duly authorized representative are entitled to vote and shall have one vote for every share held by such member. A proxy shall be entitled to vote both on a show of hands and on a poll on any question at any general meeting.</p> | <p>How votes may be given and who can act as proxy Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members, each member is entitled to vote in person or by proxy or in the case of a corporation by a representative duly authorized. On a show of hands a holder of ordinary shares or preference shares present in person or by proxy or by a duly authorized representative shall have one vote and upon a poll every member present in person or by proxy or by a duly authorized representative are entitled to vote and shall have one vote for every share held by such member. A proxy shall be entitled to vote both on a show of hands and on a poll on</p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|---|---|
| 74 (cont.) | <p>A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company.</p> | <p>any question at any general meeting. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company.</p> |
| 79 | <p>Instrument appointing a proxy The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorized. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints more than one (1) proxy to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy. Where a member of the company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.</p> | <p>Instrument appointing a proxy The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorized. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A member shall be entitled to appoint more than one (1) proxy but up to a maximum of three (3) proxies to attend and vote at the same meeting and where the member appoints more than one (1) proxy to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.</p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|---|--|
| 96 | <p>When offices of Director deemed vacant Subject as otherwise provided for in these Articles and to the terms of any subsisting agreement, the office of a Director shall be vacated if he:-</p> <p>(b) becomes bankrupt or makes any arrangement or composition with his creditors generally;</p> <p>(d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;</p> <p>(i) New provision.</p> | <p>When offices of Director deemed vacant Subject as otherwise provided for in these Articles and to the terms of any subsisting agreement, the office of a Director shall be vacated if he:-</p> <p>(b) becomes bankrupt during his term of office or makes any arrangement or composition with his creditors generally;</p> <p>(d) becomes of unsound mind during his term of office or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;</p> <p>(i) (a) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence in connection with the promotion, formation or management of a company;</p> <p>(b) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence involving fraud or dishonesty or where the conviction involved a finding that he acted fraudulently or dishonestly; or</p> <p>(c) has been convicted by a court of law of an offence under the securities laws or the Act</p> <p>Within a period five (5) years from the date of conviction or if sentenced to imprisonment, from the date of release from prison, as the case may be. The "securities</p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|---|--|
| 96 (cont.) | | <p>laws" means the Securities Industry Act, 1983, the Central Depositories Act, the Securities Commission Act, 1993 and the Futures Industry Act, 1993</p> |
| 108 | <p>Meeting of Directors The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any three (3) of the Directors may at any time and the Secretary shall on his/their requisition summon a meeting of the Directors. Directors may participate in a meeting of the Directors by means of a conference telephone or similar electronic tele-communicating equipment by means of which all persons participating in the meeting can hear each other and participates throughout the duration of the communication between the Directors and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting and shall be entitled to vote or be counted in a quorum. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chairman of the meeting then is.</p> | <p>Meeting of Directors The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any one (1) Director or Alternate Director may at any time and the Secretary shall on the requisition of any one (1) Director or Alternate Director summon a meeting of the Directors. Directors may participate in a meeting of the Directors by means of a conference telephone or similar electronic tele-communicating equipment by means of which all persons participating in the meeting can hear each other and participates throughout the duration of the communication between the Directors and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting and shall be entitled to vote or be counted in a quorum. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chairman of the meeting then is.</p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|---|---|
| 109 | <p>Notice of Directors' meeting It shall not be necessary to give any Director or Alternate Director, who has not got an address in Malaysia, registered with the Company, notice of a meeting of the Directors. Unless otherwise determined by the Directors from time to time a seven (7) days' notice of all Directors' meetings shall be given to all Directors and their Alternate Directors, who have a registered address in Malaysia, except in the case of an emergency, where reasonable notice of every Directors' meeting shall be given in writing. Any Director may waive notice of any meeting and any such waiver may be retroactive. The notice of each Directors' meeting shall be deemed to be served in the case of a Director having an address in Peninsular Malaysia, two (2) days following that on which a properly stamped letter containing the notice is posted in Peninsular Malaysia and in the case of a Director having an address in East Malaysia seven (7) days following that on which a properly stamped letter containing the notice is posted within Peninsular Malaysia.</p> | <p>Notice of Directors' meeting Notice of every meeting of the Directors shall be given to all Directors and their Alternate Directors, who have a registered address in Malaysia. A notice or other document may also be served by the Company or the Secretary on any one (1) Director or Alternate Director by transmitting it by telex or facsimile with confirmed telex or facsimile answerback to such Director or Alternate Director at the number specified by such Director or Alternate Director to the Company or the secretary for the time being.</p> |
| 110 | <p>Quorum of meeting of Directors The quorum necessary for the transaction of the business of the Directors shall be fixed by the Directors from time to time and unless so fixed, the quorum shall comprise three (3) Directors and a meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretions by or under the Articles vested in or exercisable by the Directors generally.</p> | <p>Quorum of meeting of Directors The quorum necessary for the transaction of the business of the Directors shall be fixed by the Directors from time to time and unless so fixed, the quorum shall comprise two (2) Directors and a meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretions by or under the Articles vested in or exercisable by the Directors</p> |

| Article No. | Existing Provisions | Proposed Amendments |
|-------------|--|--|
| 110 (cont.) | | generally. |
| 112 | <p>Chairman not to have casting vote Subject to the Articles any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purpose be deemed a determination of the Directors. In case of an equality of votes the Chairman of the meeting shall not have a second or casting vote.</p> | <p>Chairman not to have casting vote Subject to the Articles any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purpose be deemed a determination of the Directors. <u>In case of an equality of votes the Chairman of the meeting shall have a second or casting vote except when only two (2) Directors are present and form a quorum or only two (2) are competent to vote on the question at issue.</u></p> |

AHB HOLDINGS BERHAD (274909-A)

(Incorporated in Malaysia)

FORM OF PROXY

| |
|-----------------------------|
| No. of Ordinary Shares Held |
| CDS Acc. No. |

I/We, NRIC/Company No.
(Please use block letters)

of
(Full Address)

being a member of **AHB HOLDINGS BERHAD** hereby appoint
(Full name in block letters)

of
(Full Address)

or failing him/her,
(Full name in block letters)

of
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Windows on KL 2, Level 30, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 27 December, 2007 at 3.30 p.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

| RESOLUTION | *FOR | *AGAINST |
|---|------|----------|
| ORDINARY BUSINESS | | |
| 1. To receive the Audited Financial Statements of the Company for the year ended 30 June 2007 and the Directors' and Auditors' Reports thereon. | | |
| 2. To consider the re-election of Yong Chew Keat, who being eligible, did not offer himself for re-election. | | |
| 3. To re-elect Lim Chee Hoong as Director. | | |
| 4. To re-elect Danny Ng Siew L'Leong as Director. | | |
| 5. To re-appoint Messrs Deloitte KassimChan as the Company's Auditors and to authorise the Directors to fix their remuneration. | | |
| SPECIAL BUSINESS | | |
| 6. To approve the payment of Directors' fees for the year ended 30 June 2007. | | |
| 7. To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 8. Proposed amendments to the Company's Articles of Association. | | |

*** Please indicate with an "X" in the appropriate spaces on how you wish your vote to be cast. In the absence of specific direction, the proxy will vote or abstain as he/she thinks fit.**

Dated this _____ day of _____ 2007

Signature / Common Seal of Member

Notes:

(i) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(ii) A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where the member appoints more than one (1) proxy to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(iii) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

(v) The instrument of a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof shall be deposited at the Registered Office of the Company situated at Suite 11.1A, Level 11, Menara Weld, 76, Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time set for the holding of this meeting or at any adjournment thereof.

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The Company Secretary

AHB HOLDINGS BERHAD
(Company No. 274909-A)

C/O ARCHER CORPORATE SERVICES SDN BHD
(Company No. 481718-D)

Suite 11-1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur

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